

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2016
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Period	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding Quarter	Todate	Corresponding Period
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	RM'000	RM'000	RM'000	RM'000
Revenue	28,768	26,822	28,768	26,822
Cost of sales	(22,493)	(19,707)	(22,493)	(19,707)
Gross profit	6,275	7,115	6,275	7,115
Other income	131	203	131	203
Operating and administration expenses	(9,500)	(10,685)	(9,500)	(10,685)
Loss from operations	(3,094)	(3,367)	(3,094)	(3,367)
Finance cost	(1,265)	(1,254)	(1,265)	(1,254)
Loss before tax	(4,359)	(4,621)	(4,359)	(4,621)
Income tax expense	168	(26)	168	(26)
Loss net of tax, representing total comprehensive income for the period	(4,191)	(4,647)	(4,191)	(4,647)
Total comprehensive income attributable to owners of the parent	(4,191)	(4,647)	(4,191)	(4,647)
Loss per share attributable to owners of the parent (sen)				
- basic and fully diluted	(1.22)	(1.36)	(1.22)	(1.36)

(The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2015)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At End Of Current Quarter 31.3.2016 RM'000	(Audited) As At Preceding Financial Year End 31.12.2015 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	171,736	173,962
Investment in an associate	-	-
Other investment	1,000	1,000
Goodwill on consolidation	8,979	8,979
Development expenditure	28,858	28,658
Receivables	51,245	54,242
	<u>261,818</u>	<u>266,841</u>
Current Assets		
Inventories	10,405	10,483
Receivables	62,419	65,001
Amount due from customers for contract work	17,625	19,860
Income tax recoverable	2,565	2,372
Cash and bank balances	6,492	7,709
	<u>99,506</u>	<u>105,425</u>
TOTAL ASSETS	<u>361,324</u>	<u>372,266</u>
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share capital	361,742	361,742
Reserves	(125,868)	(121,677)
Total equity	<u>235,874</u>	<u>240,065</u>
Non-Current Liabilities		
Deferred tax liabilities	9,224	9,392
Borrowings	41,359	42,934
	<u>50,583</u>	<u>52,326</u>
Current Liabilities		
Borrowings	17,182	17,249
Bank overdrafts	4,226	8,399
Payables	50,943	52,033
Amount due to customers for contract work	1,507	1,185
Income tax payable	1,009	1,009
	<u>74,867</u>	<u>79,875</u>
Total liabilities	<u>125,450</u>	<u>132,201</u>
TOTAL EQUITY AND LIABILITIES	<u>361,324</u>	<u>372,266</u>
Net assets per share (sen)	69	70

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2015)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current Year Todate 31.3.2016 RM'000	Preceding Year Corresponding Period 31.3.2015 RM'000
Operating activities		
Loss before tax	(4,359)	(4,621)
Adjustments for :-		
Non-cash items	2,377	2,170
Non-operating items	1,232	1,242
Operating cash flows before changes in working capital	(750)	(1,209)
Development expenditure	(200)	(2,477)
Inventories	78	(18)
Receivables	7,814	2,994
Payables	(779)	(6,437)
Net income taxes paid	(193)	(731)
Net cash flows from/(used in) operating activities	5,970	(7,878)
Investing activities		
Purchase of property plant and equipment	(151)	(1,200)
Proceeds from disposal of property, plant and equipment	-	111
Interest received	33	12
Net cash flows used in investing activities	(118)	(1,077)
Financing activities		
Net repayment of term loan	(1,426)	(98)
Net(repayment)/drawdown of bankers' acceptance	(4)	2,675
Net repayment of hire purchase payables	(212)	(262)
Interest paid	(1,254)	(1,243)
Net cash flows (used in)/from financing activities	(2,896)	1,072
Net increase/(decrease) in cash and cash equivalents	2,956	(7,883)
Cash and cash equivalents at beginning of period	(3,188)	9,418
Cash and cash equivalents at end of period	(232)	1,535
Cash and cash equivalents comprise :-		
Cash and bank balances	6,492	6,220
Less : Bank overdrafts	(4,226)	(2,258)
: Fixed deposits pledged	(2,498)	(2,427)
	(232)	1,535

(The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2015)

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 2015	361,742	45,488	21,455	(170,904)	257,781
Total comprehensive income for the year	-	-	-	(4,647)	(4,647)
At 31 March 2015	<u>361,742</u>	<u>45,488</u>	<u>21,455</u>	<u>(175,551)</u>	<u>253,134</u>
At 1 January 2016	361,742	45,488	21,455	(188,620)	240,065
Total comprehensive income for the year	-	-	-	(4,191)	(4,191)
At 31 March 2016	<u>361,742</u>	<u>45,488</u>	<u>21,455</u>	<u>(192,811)</u>	<u>235,874</u>

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015)

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 2015. 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 2015.

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 2015 except for the adoption of the following:

FRS 14 Regulatory Deferral Accounts

Amendments to FRS 11 Accounting for Acquisition of Interests in Joint Operations

Amendments to FRS 101 Disclosure Initiative

Amendments to FRS 116 and FRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to FRS 127 Equity Method in Separate Financial Statements

Annual Improvements to FRSs 2012 - 2014 Cycle

Amendments to FRS 10, FRS 12 and FRS 128 Investment Entities: Applying the Consolidation Exception

Adoption of the abovementioned FRSs did not have any significant impact on the financial statements of the Group in the current quarter.

On 19 November 2011, the 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 2015 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 first quarter of 2016, 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 first quarter of 2016.

7.) **Dividends Paid**

There were no payment of dividends in the first quarter of 2016.

8.) **Segment Information**

A.) The breakdown of revenue and results by business segment for the period ended 31 March 2016 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	718	22,552	5,498	-	-	28,768
Inter-segment	-	-	-	690	(690)	-
Total revenue	718	22,552	5,498	690	(690)	28,768
Results						
Segment results	(360)	474	(1,171)	(1,380)	(690)	(3,127)
Finance cost						(1,265)
Interest income						33
Loss before tax						(4,359)
Income tax expense						168
Loss net of tax						(4,191)

B.) The breakdown of revenue and results by business segment for the period ended 31 March 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	939	19,840	6,043	-	-	26,822
Inter-segment	-	-	-	690	(690)	-
Total revenue	939	19,840	6,043	690	(690)	26,822
Results						
Segment results	(229)	(323)	(644)	(1,493)	(690)	(3,379)
Finance cost						(1,254)
Interest income						12
Loss before tax						(4,621)
Income tax expense						(26)
Loss net of tax						(4,647)

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 first quarter of 2016, 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 first quarter of 2016.

13.) Capital Commitments

There were no material capital commitments as at the end of the first quarter of 2016.

14.) Significant Related Party Transactions

The Group has no significant related party transactions in the first quarter of 2016.

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

I.) Review of Performance - 2016 First Quarter compared to 2015 First Quarter

First quarter 2016 revenue increased to RM28.8 million from RM26.8 million in the prior year quarter, an increase of 7% on the back of higher progress billings of contract works from the construction segment. Consequently this quarter recorded a lower loss of RM4.2 million against a loss of RM4.6 million last year.

In the first quarter of 2016, the construction segment carried out jobs amounted to RM22.5 million, an increase of RM2.7 million over the prior year's quarter of RM19.8 million. Higher revenue was driven by the progress billings of on-going 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, the 70 linked houses at Kota Seriemas in Nilai, the 117 linked houses at Tamansari in Rawang, and the 155 linked houses at Bandar Country Homes in Rawang. These jobs have a combined contract value of RM269.2 million, of which works amounting to RM125.5 million have yet to be completed. In tandem with the increase in revenue, operating profit for the first quarter of 2016 was RM0.6 million compared to a loss of RM0.2 million in the same period last year.

Revenue from the hotel segment fell by 8% to RM5.5 million this quarter compared to RM6.0 million in prior year quarter. The performance was impacted by lacklustre local corporate demand for rooms and a slow down in guest arrivals from overseas market. Revenue from room sales dropped by 11% to RM2.4 million this quarter from RM2.7 million in the prior year period and food and beverage sales dipped by 9% to RM3.0 million this quarter from RM3.3 million last year. Operating profit of the hotel segment for this quarter was down by 38% to RM0.8 million compared to RM1.3 million same period last year, reflecting the decrease in rooms yield and higher food costs.

II.) Review of 2016 First Quarter against 2015 Fourth Quarter

The Group's revenue of RM28.8 million in first quarter 2016 was down 43% from RM50.7 million in fourth quarter 2015, largely due to decline in the billing of works carried out by the construction segment due to the tapering of some projects and the seasonal effect of the hotel segment.

Comparing to a loss of RM2.9 million in the fourth quarter 2015, the Group's first quarter 2016 loss of RM4.2 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

The Board anticipates that economic weakness and soft business conditions will continue to impact the Group's businesses in the 2016 financial year. Nevertheless the Group will strive to remain competitive and focused, and the Board is confident that the construction segment will be able to win some new jobs to replenish its order book. Although the hotel segment is expected to face weak demand trend in both the business and leisure travel in 2016, the Board is confident of maintaining the competitive edge of the hotel once the on-going refurbishment of the guestrooms is completed in later part of 2016.

IV.) Profit Forecast or Profit Guarantee

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

V.) Statement of Profit or Loss and Other Comprehensive Income

	Current Year Quarter 31.3.2016 RM'000	Preceding Year Corresponding Quarter 31.3.2015 RM'000	Current Year Totdate 31.3.2016 RM'000	Preceding Year Corresponding Period 31.3.2015 RM'000
Loss from operations is stated after charging/(crediting):-				
Depreciation and amortisation	2,377	2,280	2,377	2,280
Gain from disposal of property plant and equipment	-	(110)	-	(110)
Interest income	(33)	(12)	(33)	(12)

VI.) Income Tax Expense

	Current Year Quarter 31.3.2016 RM'000	Preceding Year Corresponding Quarter 31.3.2015 RM'000	Current Year Totdate 31.3.2016 RM'000	Preceding Year Corresponding Period 31.3.2015 RM'000
Income tax				
- provision for current period	-	(50)	-	(50)
Deferred tax	168	24	168	24
	168	(26)	168	(26)

For the current quarter, the Group has no taxable income.

VII.) Status of Corporate Proposals Announced but Not Completed

On 21 March 2016, the Board of Directors announced that Lien Hoe Corporation Berhad is proposing to undertake the following:

- a reduction of its existing issued and paid-up share capital from RM361,742,241 comprising 371,742,241 ordinary shares of RM1.00 each to RM90,435,560 comprising 361,742,241 ordinary shares of RM0.25 each via the cancellation of RM0.75 from the par value of each existing ordinary share pursuant to Section 64 of the Companies Act, 1965; and
- an amendment to the Memorandum of Association to facilitate the proposed share par value reduction.

These transactions are pending completion.

VIII. Group Borrowings/Debt Securities

Group borrowings/debt securities as at 31 March 2016 were :-

	Short term RM'000	Long term RM'000
Secured		
- bank overdrafts	4,226	-
- bankers' acceptances	9,995	-
- term loans	6,361	39,873
- hire purchase	826	1,486
	21,408	41,359

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 first quarter of 2016.

XI.) Realised and Unrealised Profits/(Losses)

	As At End Of Current Quarter 31.3.2016 RM'000	As At Preceding Financial Year End 31.12.2015 RM'000
Total accumulated losses of the Group:		
- Realised losses	(406,671)	(402,757)
- Unrealised losses	<u>(3,955)</u>	<u>(3,955)</u>
	(410,626)	(406,712)
Total share of retained loss from associate - realised	<u>(233)</u>	<u>(233)</u>
	(410,859)	(406,945)
Less: Consolidation adjustments	<u>218,048</u>	<u>218,325</u>
	<u><u>(192,811)</u></u>	<u><u>(188,620)</u></u>

XII.) Material Litigation

There were no material litigation as at the end of the first quarter of 2016.

XIII. Dividends

The Board of Directors did not recommend or paid any dividend for the first quarter of 2016.

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 31.3.2016	Preceding Year Corresponding Quarter 31.3.2015	Current Year Totodate 31.3.2016	Preceding Year Corresponding Period 31.3.2015
Loss net of tax attributable to owners of the parent (RM'000)	<u>(4,191)</u>	<u>(4,647)</u>	<u>(4,191)</u>	<u>(4,647)</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>(1.22)</u>	<u>(1.36)</u>	<u>(1.22)</u>	<u>(1.36)</u>

