

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Period (Audited)	
	Current	Preceding Year	Current	Preceding Year
	Year	Corresponding	Year	Corresponding
	Quarter	Quarter	Todate	Period
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Revenue	26,924	43,818	123,916	146,957
Cost of sales	(19,658)	(33,731)	(88,974)	(106,434)
Gross profit	7,266	10,087	34,942	40,523
Other income	881	4,107	1,379	4,451
Operating and administration expenses	(9,436)	(9,269)	(39,040)	(35,857)
(Loss)/Profit from operations	(1,289)	4,925	(2,719)	9,117
Finance cost	(1,323)	(95)	(5,445)	(4,258)
Share of result of an associate	-	-	-	-
(Loss)/Profit before tax	(2,612)	4,830	(8,164)	4,859
Income tax expense	315	(500)	(1,196)	(2,677)
Loss net of tax, representing total comprehensive income for the period	(2,297)	4,330	(9,360)	2,182
Total comprehensive income attributable to owners of the parent	(2,297)	4,330	(9,360)	2,182
(Loss)/Earnings per share attributable to owners of the parent (sen)				
- basic and fully diluted	(0.67)	1.26	(2.73)	0.64

(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 31.12.2014 RM'000	(Audited) As At Preceding Financial Year End 31.12.2013 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	179,538	179,098
Development expenditure	25,627	19,290
Other investment	1,000	1,000
Investment in an associate	-	-
Goodwill on consolidation	8,979	8,979
Receivables	61,269	51,863
	<u>276,413</u>	<u>260,230</u>
Current Assets		
Inventories	10,421	10,340
Amount due from customers for contract work	14,674	14,941
Receivables	54,713	76,938
Tax recoverable	2,407	1,491
Fixed deposits	3,127	5,090
Cash and bank balances	11,390	5,802
	<u>96,732</u>	<u>114,602</u>
TOTAL ASSETS	<u>373,145</u>	<u>374,832</u>
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share capital	361,742	361,742
Reserves	(103,961)	(94,601)
Total equity	<u>257,781</u>	<u>267,141</u>
Non-Current Liabilities		
Deferred tax liabilities	9,949	10,449
Borrowings	46,339	29,161
	<u>56,288</u>	<u>39,610</u>
Current Liabilities		
Borrowings	16,340	32,442
Bank overdraft	2,672	564
Payables	36,119	31,298
Amount due to customers for contract work	2,936	2,768
Tax payable	1,009	1,009
	<u>59,076</u>	<u>68,081</u>
Total Liabilities	<u>115,364</u>	<u>107,691</u>
TOTAL EQUITY AND LIABILITIES	<u>373,145</u>	<u>374,832</u>
Net assets per share (sen)	75	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 31.12.2014 RM'000	Preceding Year Corresponding Period 31.12.2013 RM'000
Operating activities		
(Loss)/Profit before tax	(8,164)	4,859
Adjustments for :-		
Non-cash items	8,569	4,366
Non-operating items	5,142	4,042
Operating cash before changes in working capital	5,547	13,267
Development expenditure	(6,337)	(10,754)
Inventories	(81)	27
Receivables	13,629	3,623
Payables	5,017	(1,109)
Net income taxes paid	(2,612)	(3,352)
Net cash from/(used in) operating activities	15,163	1,702
Investing activities		
Purchase of property plant and equipment	(6,480)	(4,179)
Proceeds from disposal of property plant and equipment	190	442
Interest received	303	216
Net cash used in investing activities	(5,987)	(3,521)
Financing activities		
Fixed deposits pledged for banking facilities	(793)	(1,134)
Net (repayment)/drawdown of term loan	(2,578)	5,235
Net drawdown of bankers' acceptance	1,459	3,468
Net repayment of hire purchase payables	(1,067)	(696)
Interest paid	(5,473)	(5,408)
Net cash(used in)/from financing activities	(8,452)	1,465
Net increase/(decrease) in cash and cash equivalents	724	(354)
Cash and cash equivalents at beginning of period	8,694	9,048
Cash and cash equivalents at end of period	9,418	8,694
Cash and cash equivalents comprise :-		
Cash and bank balances	11,390	5,802
Fixed deposits	3,127	5,090
	14,517	10,892
Less : Bank overdraft	(2,672)	(564)
: Fixed deposits pledged	(2,427)	(1,634)
	9,418	8,694

(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	-	-	-	2,182	2,182
At 31 December 2013	361,742	45,488	21,455	(161,544)	267,141
At 1 January 2014	361,742	45,488	21,455	(161,544)	267,141
Total comprehensive income for the period	-	-	-	(9,360)	(9,360)
At 31 December 2014	361,742	45,488	21,455	(170,904)	257,781

(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 the MASB Standard *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 also 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 year ended 31 December 2014 was as follows:-

	Property RM'000	Construction RM'000	Hotel RM'000	Corporate RM'000	Eliminations RM'000	Total RM'000
Revenue						
External customers	4,587	91,681	27,648	-	-	123,916
Inter-segment	-	-	-	2,760	(2,760)	-
Total revenue	4,587	91,681	27,648	2,760	(2,760)	123,916
Results						
Segment results	(4,854)	3,086	6,961	(5,455)	(2,760)	(3,022)
Share of result of an associate						-
Finance cost						(5,445)
Interest income						303
Loss before tax						(8,164)
Income tax expense						(1,196)
Loss net of tax						(9,360)

B.) The breakdown of revenue and results by business segment for the year ended 31 December 2013 was as follows:-

	Property RM'000	Construction RM'000	Hotel RM'000	Corporate RM'000	Eliminations RM'000	Total RM'000
Revenue						
External customers	4,673	115,212	27,072	-	-	146,957
Inter-segment	-	-	-	2,760	(2,760)	-
Total revenue	4,673	115,212	27,072	2,760	(2,760)	146,957
Results						
Segment results	(2,515)	11,564	7,851	(5,239)	(2,760)	8,901
Share of result of an associate						-
Finance cost						(4,258)
Interest income						216
Profit before tax						4,859
Income tax expense						(2,677)
Profit net of tax						2,182

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 Fourth Quarter compared to 2013 Fourth Quarter

Revenue for the fourth quarter of 2014 amounted to RM26.9 million, down 38% from RM43.8 million in the fourth quarter of 2013, on the back of decline in the value of contract works carried out by the construction segment. Slow start of new jobs accounted for the significant dip in revenue from the construction segment. Against a net profit of RM4.3 million in last year fourth quarter, the current quarter net loss of RM2.3 million was mainly owing to lower contribution from the construction segment and lower other income.

For the current quarter, the construction segment carried out jobs valued at RM18.8 million, down 47% from prior-year period of RM35.7 million. Revenue was derived from the construction of the 37 linked houses at Alam Sari in Bangi, the 6-level car park at Arcoris in Mont'Kiara, the 86 linked houses at Alam Impian in Shah Alam, 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 RM143.7 million, of which outstanding works amount to RM55.1 million. Operating results for the current quarter came to a loss of RM0.5 million compared with profit of RM2.3 million in previous year same period, largely owing to provision for liquidated ascertained damages for late completion and lower profit margin.

Revenue from the hotel segment was RM7.1 million, up 3% from prior year quarter of RM6.9 million but operating profit was down by 7%, from RM3.0 million in the prior year quarter to RM2.8 million this quarter. Room sales declined by 3% to RM3.6 million this quarter from RM3.7 million in the prior year quarter, largely due to drop in occupancy rate as well as decreased revenue per available room. This was however offset 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 driven by the higher demand for the hotel's banquet facility. However, operating profit is marginally lower at RM2.9 million this quarter compared to RM3.0 million in the fourth quarter last year.

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

The Group's revenue of RM26.9 million this quarter is down by 3% from the preceding quarter of RM27.7 million, largely owing to decrease in contribution from the construction segment. New jobs that were still at early stage accounted for the lower revenue from the construction segment.

Comparing to a loss of RM3.2 million in the preceding quarter, the Group recorded a smaller loss of RM2.3 million, due mainly to increase in other income.

III.) Prospects

The Board anticipates that the business environment in which the Group operates will be challenging for the financial year 2015. However the Group will strive to remain competitive amid rising cost and weaker demand in the two core business segments. During the fourth quarter of 2014, two construction contracts worth RM50.2 million were secured from a new client. The contracts are for the building of a total of 180 linked houses at Eco Majestic in Semenyih. Subsequent to the fourth quarter of 2014, another new contract valued at RM32.8 million was awarded by a repeat client. This contract is for the building of 121 linked houses at Serene Heights in Bangi. These additions have enlarged the construction order book to RM226.7 million of which RM138.1 million worth of works are currently outstanding. Based on the strong demand for the hotel's seminar rooms in 2014, the hotel segment is projected to generate higher revenue and earnings from banqueting and seminar events. However projected income for the sale of food and beverage will be subject to higher uncertainty due to the on-going refurbishment works at Hotel Armada Petaling Jaya.

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 31.12.2014 RM'000	Preceding Year Corresponding Quarter 31.12.2013 RM'000	Current Year Todate 31.12.2014 RM'000	Preceding Year Corresponding Period 31.12.2013 RM'000
(Loss)/Profit from operations is stated after charging/(crediting):-				
Depreciation and amortisation	2,295	2,171	9,044	8,395
Fair value adjustment on receivables	(1,639)	(1,728)	(1,639)	(1,728)
Gain from sale of property plant and equipment	(190)	(82)	(190)	(82)
Interest income	(164)	(109)	(303)	(216)
Impairment on receivables	896	-	1,096	-
Property plant and equipment written off	258	-	258	-
Waiver of debt	-	(2,179)	-	(2,179)

VI.) Taxation

	Current Year Quarter 31.12.2014 RM'000	Preceding Year Corresponding Quarter 31.12.2013 RM'000	Current Year Todate 31.12.2014 RM'000	Preceding Year Corresponding Period 31.12.2013 RM'000
Income tax				
- provision for current period	(575)	(1,570)	(2,160)	(3,820)
- overprovision in prior year	464	746	464	746
Deferred tax	426	324	500	397
	315	(500)	(1,196)	(2,677)

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 31 December 2014 were :-

	Short term RM'000	Long term RM'000
Secured		
- bank overdrafts	2,672	-
- bankers' acceptances	7,543	-
- term loans	7,841	43,931
- hire purchase	956	2,408
	19,012	46,339

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 31.12.2014 RM'000	As At Preceding Financial Year End 31.12.2013 RM'000
Total accumulated losses of the Group:		
- Realised losses	(386,195)	(376,827)
- Unrealised losses	<u>(4,467)</u>	<u>(4,816)</u>
	(390,662)	(381,643)
Total share of retained loss from associate - realised	<u>(233)</u>	<u>(233)</u>
	(390,895)	(381,876)
Less: Consolidation adjustments	<u>219,991</u>	<u>220,332</u>
	<u>(170,904)</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)/Earnings Per Share

The basic (loss)/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 (loss)/earnings per share is not affected by any other factors.

	Individual Quarter		Cumulative Period	
	Current Year Quarter 31.12.2014	Preceding Year Corresponding Quarter 31.12.2013	Current Year Totodate 31.12.2014	Preceding Year Corresponding Period 31.12.2013
(Loss)/Profit net of tax attributable to owners of the parent (RM'000)	<u>(2,297)</u>	4,330	<u>(9,360)</u>	2,182
Weighted average number of shares ('000)	<u>342,946</u>	342,946	<u>342,946</u>	342,946
Basic and diluted (loss)/earnings per share (sen)	<u>(0.67)</u>	1.26	<u>(2.73)</u>	0.64

