

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Period	
	Current Year Quarter 31.3.2014 RM'000	Preceding Year Corresponding Quarter 31.3.2013 RM'000	Current Year To date 31.3.2014 RM'000	Preceding Year Corresponding Period 31.3.2013 RM'000
Revenue	34,807	39,160	34,807	39,160
Cost of sales	(25,014)	(28,253)	(25,014)	(28,253)
Gross profit	9,793	10,907	9,793	10,907
Other income	126	36	126	36
Operating and administration expenses	(10,307)	(8,851)	(10,307)	(8,851)
(Loss)/Profit from operations	(388)	2,092	(388)	2,092
Finance cost	(1,323)	(1,306)	(1,323)	(1,306)
Share of result of an associate	-	-	-	-
(Loss)/Profit before tax	(1,711)	786	(1,711)	786
Income tax expense	(526)	(675)	(526)	(675)
(Loss)/Profit net of tax, representing total comprehensive income for the period	(2,237)	111	(2,237)	111
Total comprehensive income attributable to owners of the parent	(2,237)	111	(2,237)	111
(Loss)/Earnings per share attributable to owners of the parent (sen)				
- basic and fully diluted	(0.65)	0.03	(0.65)	0.03

(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 31.3.2014 RM'000	(Audited) As At Preceding Financial Year End 31.12.2013 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	179,140	179,098
Development expenditure	20,752	19,290
Other investment	1,000	1,000
Investment in an associate	-	-
Goodwill on consolidation	8,979	8,979
Receivables	45,862	51,863
	<u>255,733</u>	<u>260,230</u>
Current Assets		
Inventories	10,540	10,340
Amount due from customers for contract work	15,001	14,941
Receivables	77,221	76,938
Tax recoverable	1,142	1,491
Fixed deposits	4,833	5,090
Cash and bank balances	4,197	5,802
	<u>112,934</u>	<u>114,602</u>
TOTAL ASSETS	<u>368,667</u>	<u>374,832</u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Parent		
Share capital	361,742	361,742
Reserves	(96,838)	(94,601)
Total equity	<u>264,904</u>	<u>267,141</u>
Non-Current Liabilities		
Deferred tax liabilities	10,425	10,449
Borrowings	32,414	29,161
	<u>42,839</u>	<u>39,610</u>
Current Liabilities		
Borrowings	28,939	32,442
Bank overdraft	486	564
Payables	30,109	31,298
Amount due to customers for contract work	381	2,768
Tax payable	1,009	1,009
	<u>60,924</u>	<u>68,081</u>
Total liabilities	<u>103,763</u>	<u>107,691</u>
TOTAL EQUITY AND LIABILITIES	<u>368,667</u>	<u>374,832</u>
Net assets per share (sen)	77	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 31.3.2014 RM'000	Preceding Year Corresponding Period 31.3.2013 RM'000
Operating activities		
(Loss)/Profit before tax	(1,711)	786
Adjustments for :-		
Non-cash items	2,206	1,685
Non-operating items	1,275	1,298
Operating cash flows before changes in working capital	1,770	3,769
Development expenditure	(1,462)	(2,330)
Inventories	(200)	87
Receivables	5,658	5,626
Payables	(3,273)	(11,011)
Net income taxes paid	(201)	(34)
Net cash flows from/(used in) operating activities	2,292	(3,893)
Investing activities		
Purchase of property plant and equipment	(2,248)	(354)
Interest received	48	8
Net cash flows used in investing activities	(2,200)	(346)
Financing activities		
Net (repayment)/drawdown of term loan	(1,257)	1,454
Drawdown of bankers' acceptance	4	1,347
Net drawdown of hire purchase payables	1,003	(154)
Interest paid	(1,626)	(1,323)
Net cash flows from financing activities	(1,876)	1,324
Net increase in cash and cash equivalents	(1,784)	(2,915)
Cash and cash equivalents at beginning of period	8,694	9,048
Cash and cash equivalents at end of period	6,910	6,133
Cash and cash equivalents comprise :-		
Cash and bank balances	4,197	3,592
Fixed deposits	4,833	3,829
	9,030	7,421
Less : Bank overdraft	(486)	(788)
: Fixed deposits pledged	(1,634)	(500)
	6,910	6,133

(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 year	-	-	-	111	111
At 31 March 2013	361,742	45,488	21,455	(163,615)	265,070
At 1 January 2014	361,742	45,488	21,455	(161,544)	267,141
Total comprehensive income for the year	-	-	-	(2,237)	(2,237)
At 31 March 2014	361,742	45,488	21,455	(163,781)	264,904

(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 *Investment Entity*

Amendments to FRS 12 *Investment Entities*

Amendments to 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 Hedging*

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 30 June 2012, the MASB announced that the mandatory effective date for the adoption of the new MFRS by the Transitioning Entities is deferred from 1 January 2013 to 1 January 2014.

On 7 August 2013, the MASB has decided to allow agriculture and real estate companies, including their parents, significant investors and venturer ('Transitioning Entities') to defer the adoption of the MFRS Framework for an additional year.

The Group is subject to the application of IC Interpretation 15 *Agreements for Construction of Real Estate* and hence fall within the scope definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2015. The Group is currently assessing the implications and financial impact of transition to the MFRS Framework and expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2015.

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 31 March 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	1,185	27,021	6,601	-	-	34,807
Inter-segment	-	-	-	690	(690)	-
Total revenue	1,185	27,021	6,601	690	(690)	34,807
Results						
Segment results	(112)	1,615	521	(1,770)	(690)	(436)
Share of result of an associate						-
Finance cost						(1,323)
Interest income						48
Loss before tax						(1,711)
Income tax expense						(526)
Loss net of tax						(2,237)

B.) The breakdown of revenue and results by business segment for the period ended 31 March 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	963	31,410	6,787	-	-	39,160
Inter-segment	-	-	-	510	(510)	-
Total revenue	963	31,410	6,787	510	(510)	39,160
Results						
Segment results	279	2,968	1,017	(1,670)	(510)	2,084
Share of result of an associate						-
Finance cost						(1,306)
Interest income						8
Profit before tax						786
Income tax expense						(675)
Profit net of tax						111

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

On 6 January 2014, a wholly owned subsidiary, Hotel Armada Group Sdn Bhd acquired 100% equity interest in Exquisite Beams Sdn Bhd for a total cash consideration of RM2.

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 First Quarter compared to 2013 First Quarter

First quarter revenue declined to RM34.8 million from RM39.2 million in the prior year quarter. The result for this current quarter is a loss of RM2.2 million against profit of RM0.1 million last year same quarter. The drop in both revenue and profitability is due to lower contribution from the construction division.

In the current quarter, the construction division carried out jobs valued at RM27.0 million, a drop of RM4.4 million from prior year period. The lower revenue was due to the completion of 3 jobs, namely the 86 linked houses at Symphony Hill in Cyberjaya, the 74 shop offices at Olive Hill (Phase 1) in Serdang and the 42 semi-detached houses at Symphony Hill in Cyberjaya. The remaining on-going jobs which have a combined contract value of RM131.1 million comprises the 69 terraced houses at Alam Damai in Cheras, the 6-level carpark 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. In tandem with the lower revenue recorded in the current quarter, operating profit fell to RM1.7 million this year compared to RM3.0 million in prior year period.

Revenue from the hotel division in this current quarter was RM6.6 million, essentially unchanged from the prior year quarter. Revenue from room sales and food and beverage sales was RM3.6 million and RM2.9 million respectively for the current quarter. Despite rising operating costs, the hotel division has managed to maintain last year's operating profit of RM2.6 million.

II.) Review of 2014 First Quarter against 2013 Fourth Quarter

The Group's revenue of RM34.8 million this current quarter is down by 20% from the preceding quarter of RM43.8 million, largely due to decrease in contribution from the construction division. On-going jobs which were near completion largely accounted for the lower revenue from the construction division. The hotel division also experienced a decline in revenue and operating profit by RM0.3 million and RM0.4 million respectively relative to the preceding quarter as first quarter is usually a seasonally weaker period.

Against a net profit of RM4.3 million in the preceding quarter, the current quarter net loss of RM2.2 million was mainly owing to the absence of other income.

III.) Prospects

The Group will continue to remain focused on growing its core businesses with emphasis on operational and costs efficiencies. The Board is optimistic that the construction division will be able to win more new jobs to strengthen its order book which currently stands at RM173.2 million, of which outstanding works amount to RM92.8 million. Moreover plans to redevelop some of the Group's land bank in Johor Bahru is progressing well and this is expected to contribute significantly to the earnings of the Group in the near and medium term.

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 31.3.2014 RM'000	Preceding Year Corresponding Quarter 31.3.2013 RM'000	Current Year Todate 31.3.2014 RM'000	Preceding Year Corresponding Period 31.3.2013 RM'000
(Loss)/profit from operations is stated after charging/(crediting):-				
Depreciation and amortisation	2,206	1,685	2,206	1,685
Interest income	(48)	(8)	(48)	(8)

VI.) Taxation

	Current Year Quarter 31.3.2014 RM'000	Preceding Year Corresponding Quarter 31.3.2013 RM'000	Current Year Todate 31.3.2014 RM'000	Preceding Year Corresponding Period 31.3.2013 RM'000
Income tax				
- provision for current period	(550)	(700)	(550)	(700)
Deferred tax	24	25	24	25
	(526)	(675)	(526)	(675)

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 March 2014 were :-

	Short term RM'000	Long term RM'000
Secured		
- bank overdrafts	486	-
- bankers' acceptances	6,088	-
- term loans	22,054	31,039
- hire purchase	797	1,375
	29,425	32,414

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 31.3.2014 RM'000	As At Preceding Financial Year End 31.12.2013 RM'000
Total accumulated losses of the Group:		
- Realised losses	(378,640)	(376,827)
- Unrealised losses	<u>(4,816)</u>	<u>(4,816)</u>
	(383,456)	(381,643)
Total share of retained loss from associate - realised	<u>(233)</u>	<u>(233)</u>
	(383,689)	(381,876)
Less: Consolidation adjustments	<u>219,908</u>	<u>220,332</u>
	<u>(163,781)</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 31.3.2014	Preceding Year Corresponding Quarter 31.3.2013	Current Year Totodate 31.3.2014	Preceding Year Corresponding Period 31.3.2013
(Loss)/Profit net of tax attributable to owners of the parent (RM'000)	<u>(2,237)</u>	<u>111</u>	<u>(2,237)</u>	<u>111</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)/earnings per share (sen)	<u>(0.65)</u>	<u>0.03</u>	<u>(0.65)</u>	<u>0.03</u>

