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 second quarter of 2016.

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, restrospectively, 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 second 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 second quarter of 2016.

7.) **Dividends Paid**

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

8.) **Segment Information**

A.) The breakdown of revenue and results by business segment for the period ended 30 June 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	1,412	46,018	12,002	-	-	59,432
Inter-segment	-	-	-	1,380	(1,380)	-
Total revenue	1,412	46,018	12,002	1,380	(1,380)	59,432
Results						
Segment results	(638)	(2,530)	(1,501)	(2,606)	(1,380)	(8,655)
Finance cost						(2,625)
Interest income						60
Loss before tax						(11,220)
Income tax expense						192
Loss net of tax						(11,028)

B.) 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)
Finance cost						(2,528)
Interest income						19
Loss before tax						(8,749)
Income tax expense						(51)
Loss net of tax						(8,800)

9.) **Valuation of Property, Plant and Equipment**

The Group has adopted the revaluation policy to review the carrying value of its land and buildings every five years. In the second quarter 2016, the Group's land and buildings which were categorised under property, plant and equipment were revalued by independent professional valuers. The revaluation surplus of RM330.9 million net of tax has been credited to revaluation reserves.

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 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 second quarter of 2016.

13.) **Capital Commitments**

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

14.) **Significant Related Party Transactions**

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

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

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

The Group's revenue for the second quarter 2016 declined to RM30.7 million from RM34.2 million in the prior year quarter on lower income from the construction segment. Net loss for the quarter came to RM6.8 million compared with loss of RM4.2 million last year same period. The continued difficult business condition and economic trends have adversely impacted the operating results of the Group.

In the second quarter of 2016, revenue from the construction segment fell to RM23.5 million from RM26.8 million in prior year's quarter. The revenue was recognised from on-going jobs namely 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 RM222.1 million, of which works amounting to RM101.8 million have yet to be completed. Operating result came to a loss of RM2.9 million for the quarter compared to loss of RM0.1 million in prior year period, mainly due to lower billings of works and loss suffered in one project.

Revenue from the hotel segment in the second quarter of 2016 was RM6.5 million, about the same as prior year quarter of RM6.6 million. Room sales fell marginally by 3% to RM2.9 million for the quarter from RM3.0 million in prior year quarter as room rates were affected by weak business conditions. However revenue from food and beverage sales was consistent with last year's level of RM3.6 million due to sustained demand for the hotel's conference facilities and food and beverage outlets. Operating profit of the hotel segment for the quarter was RM1.6 million, down 6% from RM1.7 million same period last year, reflecting the decrease in rooms yield.

II.) **Review of 2016 Second Quarter against 2016 First Quarter**

The Group's revenue of RM30.7 million for second quarter 2016 was higher than the preceding quarter of RM28.8 million, largely due to higher billing of works carried out by the construction segment on projects followed through from the previous quarter and improved revenue from the hotel segment.

The Group's net loss widened to RM6.8 million for the second quarter 2016 compared to the loss of RM4.2 million in the first quarter 2016 due to higher operating loss from the construction segment.

III.) **Prospects**

The Board is of the opinion that going forward, the environment will continue to be challenging. Nonetheless the Group will strive to remain competitive and focused. The Board is confident that the construction segment will be able to win some new jobs to replenish its order book, and the hotel segment will be able to maintain its competitive edge 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 30.6.2016 RM'000	Preceding Year Corresponding Quarter 30.6.2015 RM'000	Current Year Todate 30.6.2016 RM'000	Preceding Year Corresponding Period 30.6.2015 RM'000
Loss from operations is stated after charging/(crediting):-				
Depreciation and amortisation	2,349	2,317	4,726	4,597
Gain from disposal of property plant and equipment	(71)	-	(71)	-
Interest income	(27)	(7)	(60)	(19)

VI.) **Income Tax Expense**

	Current Year Quarter 30.6.2016 RM'000	Preceding Year Corresponding Quarter 30.6.2015 RM'000	Current Year Todate 30.6.2016 RM'000	Preceding Year Corresponding Period 30.6.2015 RM'000
Income tax				
- provision for current period	-	(50)	-	(100)
Deferred tax	24	25	192	49
	24	(25)	192	(51)

For the second quarter 2016, 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) 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

(b) 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 30 June 2016 were :-

	Short term RM'000	Long term RM'000
Secured		
- bank overdrafts	5,643	-
- bankers' acceptances	11,967	-
- term loans	6,589	41,345
- hire purchase	906	1,622
	25,105	42,967

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 2016.

XI.) **Realised and Unrealised Profits/(Losses)**

	As At End Of Current Quarter 30.6.2016 RM'000	As At Preceding Financial Year End 31.12.2015 RM'000
Total accumulated losses of the Group:		
- Realised losses	(413,238)	(402,757)
- Unrealised losses	(3,955)	(3,955)
	(417,193)	(406,712)
Total share of retained loss from associate - realised	(233)	(233)
	(417,426)	(406,945)
Less: Consolidation adjustments	217,778	218,325
	(199,648)	(188,620)

XII.) **Material Litigation**

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

XIII. **Dividends**

The Board of Directors did not recommend or paid any dividend for the second 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 30.6.2016	Preceding Year Corresponding Quarter 30.6.2015	Current Year Todate 30.6.2016	Preceding Year Corresponding Period 30.6.2015
Loss net of tax attributable to owners of the parent (RM'000)	(6,837)	(4,153)	(11,028)	(8,800)
Weighted average number of shares ('000)	342,946	342,946	342,946	342,946
Basic and diluted loss per share (sen)	(1.99)	(1.21)	(3.22)	(2.57)