

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 DECEMBER 2018
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Continuing operations				
Revenue	6,776	5,641	25,160	24,810
Cost of sales	(1,305)	(1,014)	(4,848)	(4,436)
Gross profit	5,471	4,627	20,312	20,374
Other income	391	55,223	1,436	55,272
Operating and administration expenses	(11,050)	(10,716)	(41,509)	(37,936)
(Loss)/Profit from continuing operations	(5,188)	49,134	(19,761)	37,710
Finance cost	(849)	(1,053)	(3,555)	(4,180)
(Loss)/Profit before tax	(6,037)	48,081	(23,316)	33,530
Income tax expense	4,479	(4,155)	4,621	(2,913)
(Loss)/Profit net of tax, from continuing operations	(1,558)	43,926	(18,695)	30,617
Discontinued operation				
Loss from discontinued operation, net of tax	(7,293)	(9,958)	(16,843)	(33,034)
(Loss)/Profit net of tax	(8,851)	33,968	(35,538)	(2,417)
Other comprehensive income				
Item that will not be reclassified subsequently to profit or loss				
Revaluation of land (net of tax)	2,140	-	2,140	-
Effect of changes in tax rate on asset revaluation reserve	(5,779)	-	(5,779)	-
Other comprehensive income for the period	(3,639)	-	(3,639)	-
Total comprehensive income for the period	(12,490)	33,968	(39,177)	(2,417)
(Loss)/Profit attributable to owners of the parent	(8,851)	33,968	(35,538)	(2,417)
Total comprehensive income attributable to owners of the parent	(12,490)	33,968	(39,177)	(2,417)
(Loss)/Earnings per share attributable to owners of the parent - basic and diluted (sen)				
- continuing operations	(0.46)	12.74	(5.48)	8.88
- discontinued operation	(2.14)	(2.89)	(4.94)	(9.58)

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 2017.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000	As at 1.1.2017 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment	554,843	555,681	560,302
Investment in an associate	-	-	-
Other investment	1,000	1,000	1,000
Goodwill on consolidation	8,927	8,927	8,979
Development expenditure	47,775	19,410	32,626
Trade and other receivables	-	14,713	51,396
	<u>612,545</u>	<u>599,731</u>	<u>654,303</u>
Current Assets			
Inventories	10,275	10,231	10,335
Trade and other receivables	31,048	89,640	64,496
Contract assets	-	1,724	19,206
Income tax recoverable	6,341	4,759	3,281
Cash and bank balances	11,725	67,414	6,805
	<u>59,389</u>	<u>173,768</u>	<u>104,123</u>
Assets held for sale	280	6,596	16,780
Assets classified as discontinued operation	14,115	-	-
	<u>73,784</u>	<u>180,364</u>	<u>120,903</u>
TOTAL ASSETS	<u>686,329</u>	<u>780,095</u>	<u>775,206</u>
EQUITY AND LIABILITIES			
Equity Attributable to Owners of the Parent			
Share capital	142,188	142,188	90,435
Share premium	-	-	51,056
Treasury shares	(7,149)	(6,083)	(5,568)
Reserves	342,049	348,350	351,012
Retained earnings	2,381	35,257	35,012
Total equity	<u>479,469</u>	<u>519,712</u>	<u>521,947</u>
Non-current Liabilities			
Deferred tax liabilities	86,279	80,694	81,281
Borrowings	31,743	36,653	41,310
Trade and other payables	-	4,620	3,220
Income tax payable	5,397	14,397	15,597
	<u>123,419</u>	<u>136,364</u>	<u>141,408</u>
Current Liabilities			
Borrowings	5,213	15,826	19,022
Bank overdrafts	3,823	3,930	6,243
Trade and other payables	14,573	93,753	72,772
Contract liabilities	-	3,701	7,306
Income tax payable	9,000	6,809	6,508
	<u>32,609</u>	<u>124,019</u>	<u>111,851</u>
Liabilities classified as discontinued operation	50,832	-	-
	<u>83,441</u>	<u>124,019</u>	<u>111,851</u>
Total liabilities	<u>206,860</u>	<u>260,383</u>	<u>253,259</u>
TOTAL EQUITY AND LIABILITIES	<u>686,329</u>	<u>780,095</u>	<u>775,206</u>
Net Assets Per Share (RM)	1.41	1.52	1.52

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	12 months ended 31.12.2018 RM'000	12 months ended 31.12.2017 RM'000
Operating activities		
Loss before tax		
Continuing operations	(23,316)	33,530
Discontinued operation	(16,866)	(33,284)
Adjustments for:		
Non-cash items	25,729	(34,864)
Non-operating items	<u>2,987</u>	<u>4,470</u>
Operating cash before changes in working capital	(11,466)	(30,148)
Development expenditure	(28,365)	(25,411)
Inventories	(44)	104
Receivables	56,377	24,097
Payables	(47,729)	18,762
Net income taxes paid	<u>(5,042)</u>	<u>(5,627)</u>
Net cash used in operating activities	<u>(36,269)</u>	<u>(18,223)</u>
Investing activities		
Interest received	1,216	582
Purchase of property plant and equipment	(3,661)	(7,541)
Proceeds from disposal of assets held for sale	-	100,937
Proceeds from disposal of property, plant and equipment	<u>659</u>	<u>4</u>
Net cash (used in)/from investing activities	<u>(1,786)</u>	<u>93,982</u>
Financing activities		
Fixed deposits pledged for banking facilities	(92)	(547)
Net repayment of term loan	(10,326)	(6,208)
Net repayment of bankers' acceptance	-	(792)
Net repayment of finance lease payables	(1,186)	(981)
Interest paid	(4,233)	(5,038)
Purchase of treasury shares	(1,066)	(2,878)
Sale of treasury shares	<u>-</u>	<u>3,060</u>
Net cash used in financing activities	<u>(16,903)</u>	<u>(13,384)</u>
Net (decrease)/increase in cash and cash equivalents	(54,958)	62,375
Cash and cash equivalents at beginning of period	60,358	(2,017)
Cash and cash equivalents at end of period	<u>5,400</u>	<u>60,358</u>
Cash and cash equivalents comprise:		
Cash and bank balances	12,441	67,414
Less : Bank overdrafts	(3,823)	(3,930)
: Fixed deposits pledged	<u>(3,218)</u>	<u>(3,126)</u>
	<u>5,400</u>	<u>60,358</u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	-----> Attributable to owners of the parent <-----						Total RM'000
	-----> Non-distributable <-----			Distributable			
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Asset revaluation reserve RM'000	Capital reserve RM'000	Retained earnings RM'000	
At 1 January 2017	90,435	51,056	(5,568)	329,557	21,455	35,012	521,947
Loss net of tax for the period, representing total comprehensive income for the period	-	-	-	-	-	(2,417)	(2,417)
Realisation of asset revaluation reserve	-	-	-	(2,662)	-	2,662	-
Adjustment for effect of the Companies Act 2016	51,056	(51,056)	-	-	-	-	-
Transaction with owners:							
Sale of treasury shares	697	-	2,363	-	-	-	3,060
Purchase of treasury shares	-	-	(2,878)	-	-	-	(2,878)
At 31 December 2017	<u>142,188</u>	<u>-</u>	<u>(6,083)</u>	<u>326,895</u>	<u>21,455</u>	<u>35,257</u>	<u>519,712</u>
At 1 January 2018	142,188	-	(6,083)	326,895	21,455	35,257	519,712
Loss net of tax for the period	-	-	-	-	-	(35,538)	(35,538)
Other comprehensive income for the period	-	-	-	(3,639)	-	-	(3,639)
Total comprehensive income for the period	-	-	-	(3,639)	-	(35,538)	(39,177)
Realisation of asset revaluation reserve	-	-	-	(2,662)	-	2,662	-
Transaction with owners:							
Purchase of treasury shares	-	-	(1,066)	-	-	-	(1,066)
At 31 December 2018	<u>142,188</u>	<u>-</u>	<u>(7,149)</u>	<u>320,594</u>	<u>21,455</u>	<u>2,381</u>	<u>479,469</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 2017.

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 MFRS 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 2017. 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 2017.

The financial statements of the Group for the financial period ended 31 December 2018 are prepared in accordance with the Malaysian Financial Reporting Standards ('MFRS') Framework. The date of transition to the MFRS Framework was on 1 January 2017.

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 2017 and there was no significant impact to the Group's financial statements upon the adoption of MFRS.

The Group has also adopted all new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January 2018, and the adoption of these new and revised MFRSs and IC Interpretations did not have any significant impact on the financial statements of the Group for the fourth quarter of 2018.

2.) **Auditors' Report**

The auditors' report on the Group's financial statements for the year ended 31 December 2017 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 fourth quarter of 2018, 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**

In the fourth quarter of 2018, the Company purchased 1,695,100 of its issued ordinary shares from the open market for a total consideration of RM0.5 million. As at 31 December 2018, the number of treasury shares held were 22,280,800 ordinary shares.

Other than the above, there were no issuances, cancellations, repurchases and repayments of debt and equity securities in the fourth quarter of 2018.

7.) **Dividends Paid**

There were no payment of dividends in the fourth quarter of 2018.

8.) Segment Information

The breakdown of segment revenue, results, assets and liabilities by business segment for the year ended 31 December was as follows:

	←----- Continuing operations ----->						Discontinued operation		Adjustments and eliminations		Consolidated	
	Property		Hotel		Corporate		Construction					
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue												
External customers	1,098	2,116	24,062	22,694	-	-	8,529	48,300	-	-	33,689	73,110
Inter-segment	-	-	-	-	2,760	2,760	-	-	(2,760)	(2,760)	-	-
Total revenue	1,098	2,116	24,062	22,694	2,760	2,760	8,529	48,300	(2,760)	(2,760)	33,689	73,110
Results												
Segment loss	(13,454)	41,567	(2,490)	(3,178)	(2,169)	1,580	(16,322)	(32,493)	(5,747)	(7,230)	(40,182)	246
Segment assets	496,616	533,209	140,537	148,626	35,061	58,589	14,115	39,671	-	-	686,329	780,095
Segment liabilities	99,740	127,399	36,681	41,456	19,607	24,741	50,832	66,787	-	-	206,860	260,383

9.) Valuation of Property, Plant and Equipment

The Group remeasured an asset that ceased to be classified as asset held for sale in the fourth quarter of 2018, based on valuation by an independent professional valuer. Other than the above, 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 fourth quarter of 2018, 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 fourth quarter of 2018.

13.) Capital Commitments

There were no material capital commitments as at the end of the fourth quarter of 2018.

14.) Significant Related Party Transactions

The Group has no significant related party transactions in the fourth quarter of 2018.

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

1.) Review of Performance - 2018 Fourth Quarter (Q4 2018) compared to 2017 Fourth Quarter (Q4 2017)

	Individual quarter 3 months ended		Changes	
	31.12.2018	31.12.2017	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue				
- Continuing operations	6,776	5,641	1,135	20%
- Discontinued operation	850	6,071	(5,221)	(86%)
	<u>7,626</u>	<u>11,712</u>	<u>(4,086)</u>	<u>(35%)</u>
(Loss)/Profit before interest and tax				
- Continuing operations	(5,187)	49,136	(54,323)	(111%)
- Discontinued operation	(7,190)	(9,766)	2,576	26%
	<u>(12,377)</u>	<u>39,370</u>	<u>(51,747)</u>	<u>(131%)</u>
(Loss)/Profit before tax				
- Continuing operations	(6,037)	48,082	(54,119)	(113%)
- Discontinued operation	(7,316)	(9,959)	2,643	27%
	<u>(13,353)</u>	<u>38,123</u>	<u>(51,476)</u>	<u>(135%)</u>
(Loss)/Profit after tax				
- Continuing operations	(1,558)	43,926	(45,484)	(104%)
- Discontinued operation	(7,293)	(9,958)	2,665	27%
	<u>(8,851)</u>	<u>33,968</u>	<u>(42,819)</u>	<u>(126%)</u>
(Loss)/Profit attributable to owners of the parent				
- Continuing operations	(1,558)	43,926	(45,484)	(104%)
- Discontinued operation	(7,293)	(9,958)	2,665	27%
	<u>(8,851)</u>	<u>33,968</u>	<u>(42,819)</u>	<u>(126%)</u>

Revenue for Q4 2018 fell 35% to RM7.6 million from RM11.7 million in Q4 2017 following the discontinuation of the construction business. Business for the hotel segment continued its uptrend momentum, registering an increase of 22% in total sales over the same period previous year, largely on improved room occupancy rate coupled with stronger demand for the hotel's seminar and conference facilities.

The Group posted a loss of RM8.8 million in Q4 2018, in comparison to the loss incurred in previous year's period of RM19.6 million which is arrived at after excluding the one-off gain of RM53.6 million arising from the sale of land. The lower loss is attributable to reduced operational loss from the construction segment amid tapering of works and the effect of adjusting for overprovision of tax in previous year.

II.) **Review of 2018 Fourth Quarter (Q4 2018) against 2018 Third Quarter (Q3 2018)**

	Individual quarter 3 months ended			
	31.12.2018	30.9.2018	Changes	
	RM'000	RM'000	RM'000	%
Revenue				
- Continuing operations	6,776	6,769	7	0%
- Discontinued operation	850	464	386	83%
	<u>7,626</u>	<u>7,233</u>	<u>393</u>	<u>5%</u>
Loss before interest and tax				
- Continuing operations	(5,187)	(4,265)	(922)	(22%)
- Discontinued operation	(7,190)	(6,613)	(577)	(9%)
	<u>(12,377)</u>	<u>(10,878)</u>	<u>(1,499)</u>	<u>(14%)</u>
Loss before tax				
- Continuing operations	(6,037)	(5,145)	(892)	(17%)
- Discontinued operation	(7,316)	(6,774)	(542)	(8%)
	<u>(13,353)</u>	<u>(11,919)</u>	<u>(1,434)</u>	<u>(12%)</u>
Loss after tax				
- Continuing operations	(1,558)	(5,098)	3,540	69%
- Discontinued operation	(7,293)	(6,774)	(519)	(8%)
	<u>(8,851)</u>	<u>(11,872)</u>	<u>3,021</u>	<u>25%</u>
Loss attributable to owners of the parent				
- Continuing operations	(1,558)	(5,098)	3,540	69%
- Discontinued operation	(7,293)	(6,774)	(519)	(8%)
	<u>(8,851)</u>	<u>(11,872)</u>	<u>3,021</u>	<u>25%</u>

Revenue for Q4 2018 increased marginally to RM7.6 million from RM7.2 million in Q3 2018, whilst loss was lower at RM8.8 million compared to the preceding quarter of RM11.9 million due mostly to the effect of adjusting for overprovision of tax in previous year.

III.) **Prospects**

For the financial year 2019, the Group will focus on its hotel business which is expected to sustain its performance amid rising competition and higher operating cost. In addition, the Group's plan to develop its land has seen significant progress in term of regulatory approval, and will undertake its development plans according to the market conditions.

IV.) **Profit Forecast or Profit Guarantee**

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

V.) **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.

VI.) **Disclosure of Derivatives**

There are no derivatives as at the date of this announcement.

VII.) **Gains/Losses Arising from Fair Value Changes of Financial Liabilities**

There were no material gains/losses arising from fair value changes of financial liabilities in the fourth quarter of 2018.

VIII.) (Loss)/Profit from continuing operations

	Individual Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit from continuing operations is stated after charging/(crediting):-				
Depreciation of property, plant and equipment	3,058	3,016	12,403	11,941
Development expenditure written off	-	1,865	-	1,865
Donation to Tabung Harapan	-	-	500	-
Finance income on receivables	(300)	(2,652)	(300)	(2,652)
Gain from disposal of assets held for sale	-	(53,991)	-	(53,991)
Gain from disposal of property, plant and equipment	-	-	(97)	-
Impairment loss on receivables	148	-	148	-
Interest income	(181)	(441)	(1,114)	(504)
Property, plant and equipment written off	-	-	-	37

IX.) Taxation

	Individual Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Current period provision	-	(4,600)	-	(4,600)
Over provision in prior year	3,781	-	3,781	1,100
Deferred tax relating to reversal of temporary differences	651	398	651	398
Deferred tax relating to net surplus on revaluation of land and buildings	47	47	189	189
	<u>4,479</u>	<u>(4,155)</u>	<u>4,621</u>	<u>(2,913)</u>
Discontinued operation				
Over provision in prior year	-	-	-	250
Deferred tax relating to reversal of temporary differences	23	-	23	-
	<u>23</u>	<u>-</u>	<u>23</u>	<u>250</u>
Total income tax expense	<u>4,502</u>	<u>(4,155)</u>	<u>4,644</u>	<u>(2,663)</u>

X.) Material Litigation

- (a) On 27 August 2018, a winding-up petition was served on a wholly-owned subsidiary, Macro Resources Sdn Bhd ('Macro') by Vistagard Sdn Bhd. The sum claimed is RM126,170.89 being due on invoices amounting to RM74,041.00 for the supply of goods and debit notes amounting to RM52,129.89 for interest charges. On 7 November 2018, Macro filed an application with the court for a stay of all further proceedings in relation to the aforesaid winding-up petition. The court has dismissed the winding-up petition.

(b) On 26 September 2018, Macro received a winding-up petition by Ho Sheng Crane Sdn Bhd and Ho Choo Kiang. The total sum claimed is RM100,551.50 being due on invoices for the supply of services and interest charges. On 7 November 2018, Macro filed an application with the court for a stay of all further proceedings in relation to the aforesaid winding-up petition. The court has dismissed the winding-up petition.

(c) On 5 November 2018, Macro lodged an application pursuant to Section 404 of the Companies Act 2016 for the company to be placed under judicial management of a judicial manager.

On 23 January 2019, the court ordered that Macro be placed under the judicial management of a judicial manager under Section 405 of the Companies Act 2016, and that Mr Ng Choon Jin be appointed as the judicial manager of Macro who will thenceforth handle all the affairs of the company.

XI.) Group Borrowings/Debt Securities

A.) Group borrowings/debt securities as at 31 December 2018 were :-

	Short term RM'000	Long term RM'000	Total borrowings RM'000
Secured			
- bank overdrafts	3,823	-	3,823
- term loans	9,858	30,479	40,337
- finance lease payables	505	1,271	1,776
	<u>14,186</u>	<u>31,750</u>	<u>45,936</u>

B.) Group borrowings/debt securities as at 31 December 2017 were :-

	Short term RM'000	Long term RM'000	Total borrowings RM'000
Secured			
- bank overdrafts	3,930	-	3,930
- term loans	14,891	35,772	50,663
- finance lease payables	935	881	1,816
	<u>19,756</u>	<u>36,653</u>	<u>56,409</u>

XII.) Dividends

The Board of Directors did not recommend or paid any dividend for the fourth quarter of 2018.

XIII.) (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 3 months ended		Cumulative Quarter 12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
(Loss)/Profit net of tax attributable to owners of the parent (RM'000)				
- Continuing operations	(1,558)	43,926	(18,695)	30,617
- Discontinued operation	(7,293)	(9,958)	(16,843)	(33,034)
			<u> </u>	<u> </u>
Weighted average number of shares ('000)	<u>341,011</u>	<u>344,814</u>	<u>341,011</u>	<u>344,814</u>
Basic and diluted (loss)/earnings per share (sen)				
- Continuing operations	(0.46)	12.74	(5.48)	8.88
- Discontinued operation	(2.14)	(2.89)	(4.94)	(9.58)
			<u> </u>	<u> </u>