

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 30 JUNE 2019
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Revenue	5,660	6,081	11,603	11,615
Cost of sales	(3,436)	(3,539)	(6,931)	(6,959)
Gross profit	2,224	2,542	4,672	4,656
Other income	142	452	189	837
Operating and administration expenses	(8,579)	(7,925)	(18,114)	(15,799)
Loss from continuing operations	(6,213)	(4,931)	(13,253)	(10,306)
Finance cost	(739)	(919)	(1,517)	(1,826)
Loss before tax	(6,952)	(5,850)	(14,770)	(12,132)
Income tax expense	83	48	166	95
Loss net of tax, from continuing operations	(6,869)	(5,802)	(14,604)	(12,037)
Discontinued operation				
Loss from discontinued operation, net of tax	(910)	(1,201)	(1,889)	(2,778)
Loss net of tax, representing total comprehensive income for the period	(7,779)	(7,003)	(16,493)	(14,815)
Loss attributable to owners of the Company	(7,779)	(7,003)	(16,493)	(14,815)
Total comprehensive income attributable to owners of the Company	(7,779)	(7,003)	(16,493)	(14,815)
Loss per share attributable to owners of the Company - basic and diluted (sen)				
- continuing operations	(2.06)	(1.70)	(4.37)	(3.53)
- discontinued operation	(0.27)	(0.35)	(0.57)	(0.81)
	(2.33)	(2.05)	(4.94)	(4.34)

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 2018.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at end of current quarter 30.6.2019 RM'000	As at preceding financial year end 31.12.2018 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	549,933	554,844
Other investment	1,000	1,000
Goodwill on consolidation	8,927	8,927
Property development costs	50,514	47,775
	<u>610,374</u>	<u>612,546</u>
Current Assets		
Trade and other receivables	14,167	31,048
Inventories	10,182	10,275
Income tax recoverable	255	6,341
Deposits, bank and cash balances	9,041	11,726
	<u>33,645</u>	<u>59,390</u>
Asset held for sale	280	280
Assets classified as discontinued operation	12,212	14,115
	<u>46,137</u>	<u>73,785</u>
TOTAL ASSETS	<u>656,511</u>	<u>686,331</u>
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Company		
Share capital	142,188	142,188
Treasury shares	(9,177)	(7,149)
Reserves	340,829	342,049
(Accumulated losses)/Retained earnings	(12,892)	2,381
Total equity	<u>460,948</u>	<u>479,469</u>
Non-current Liabilities		
Deferred tax liabilities	86,113	86,280
Borrowings	28,889	31,743
Income tax payable	5,397	5,397
	<u>120,399</u>	<u>123,420</u>
Current Liabilities		
Borrowings	4,784	5,214
Bank overdraft	3,338	3,823
Trade and other payables	11,547	14,573
Income tax payable	5,544	9,000
	<u>25,213</u>	<u>32,610</u>
Liabilities classified as discontinued operation	49,951	50,832
	<u>75,164</u>	<u>83,442</u>
Total liabilities	<u>195,563</u>	<u>206,862</u>
TOTAL EQUITY AND LIABILITIES	<u>656,511</u>	<u>686,331</u>
Net Assets Per Share (RM)	1.39	1.41

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended 30.6.2019 RM'000	6 months ended 30.6.2018 RM'000
Operating activities		
Loss before tax from:		
- continuing operations	(14,770)	(12,132)
- discontinued operation	<u>(1,889)</u>	<u>(2,778)</u>
Total loss before tax	<u>(16,659)</u>	<u>(14,910)</u>
Adjustments for:		
Non-cash items	5,844	5,930
Non-operating items	<u>1,591</u>	<u>1,391</u>
Operating cash before changes in working capital	(9,224)	(7,589)
Property development costs	(2,739)	(18,112)
Inventories	93	(3)
Receivables	18,782	23,654
Payables	(3,205)	(27,266)
Net income taxes refund/(paid)	<u>2,928</u>	<u>(4,442)</u>
Net cash from/(used in) operating activities	<u>6,635</u>	<u>(33,758)</u>
Investing activities		
Interest received	121	796
Purchase of property, plant and equipment	(901)	(1,450)
Proceeds from disposal of property, plant and equipment	<u>350</u>	<u>529</u>
Net cash used in investing activities	<u>(430)</u>	<u>(125)</u>
Financing activities		
Fixed deposits pledged for banking facilities	(49)	(48)
Repayment of term loan	(3,839)	(4,661)
Repayment of finance lease payables	(310)	(674)
Interest paid	(1,749)	(2,207)
Purchase of treasury shares	<u>(2,028)</u>	<u>(543)</u>
Net cash used in financing activities	<u>(7,975)</u>	<u>(8,133)</u>
Net decrease in cash and cash equivalents	(1,770)	(42,016)
Cash and cash equivalents at beginning of period	5,400	60,358
Cash and cash equivalents at end of period	<u>3,630</u>	<u>18,342</u>
Cash and cash equivalents comprise:		
Cash and bank balances		
- continuing operations	9,041	25,308
- discontinued operation	1,194	118
Less : Bank overdrafts	(3,338)	(3,910)
: Fixed deposits pledged	<u>(3,267)</u>	<u>(3,174)</u>
	<u>3,630</u>	<u>18,342</u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<----- Attributable to owners of the Company ----->					
	<----- Non-distributable ----->		<----- Distributable ----->			
	Share capital RM'000	Treasury shares RM'000	Asset revaluation reserve RM'000	Capital reserve RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000
At 1 January 2018	142,188	(6,083)	326,895	21,455	35,257	519,712
Loss net of tax for the period, representing total comprehensive income for the period	-	-	-	-	(14,815)	(14,815)
Realisation of asset revaluation reserve	-	-	(1,331)	-	1,331	-
Transaction with owners of the Company: Purchase of treasury shares	-	(543)	-	-	-	(543)
At 30 June 2018	<u>142,188</u>	<u>(6,626)</u>	<u>325,564</u>	<u>21,455</u>	<u>21,773</u>	<u>504,354</u>
At 1 January 2019	142,188	(7,149)	320,594	21,455	2,381	479,469
Loss net of tax for the period, representing total comprehensive income for the period	-	-	-	-	(16,493)	(16,493)
Realisation of asset revaluation reserve	-	-	(1,220)	-	1,220	-
Transaction with owners of the Company: Purchase of treasury shares	-	(2,028)	-	-	-	(2,028)
At 30 June 2019	<u>142,188</u>	<u>(9,177)</u>	<u>319,374</u>	<u>21,455</u>	<u>(12,892)</u>	<u>460,948</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 2018.

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 2018. 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 2018.

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 2018.

The Group has also adopted all new MFRSs, new Interpretations and amendments to MFRSs that are relevant and effective for accounting periods beginning on or after 1 January 2019, and the adoption of these new MFRSs, new Interpretations and amendments to MFRSs do not have any significant impact on the financial statements of the Group for the second quarter of 2019.

2.) **Auditors' Report**

The auditors' report on the Group's financial statements for the year ended 31 December 2018 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 2019, 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 second quarter of 2019, the Company purchased 50,000 of its issued ordinary shares from the open market for a total consideration of RM13,855. As at 30 June 2019, the number of treasury shares held were 29,321,700 ordinary shares.

Other than the above, there were no issuances, cancellations, repurchases and repayments of debt and equity securities in the second quarter of 2019.

7.) **Dividends Paid**

There were no payment of dividends in the second quarter of 2019.

8.) **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.

9.) Segment Information

The breakdown of segment revenue, results, assets and liabilities by business segment for the 6 months ended 30 June was as follows:

	<----- Continuing operations ----->						Discontinued operation		Adjustments and eliminations		Consolidated	
	Property		Hotel		Corporate		Construction					
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	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	520	552	11,083	11,063	-	-	7	7,214	-	-	11,610	18,829
Inter-segment	-	-	-	-	990	1,380	-	-	(990)	(1,380)	-	-
Total revenue	520	552	11,083	11,063	990	1,380	7	7,214	(990)	(1,380)	11,610	18,829
Results												
Segment loss	(8,730)	(6,288)	(1,925)	(2,237)	(1,728)	(1,125)	(1,703)	(2,489)	(2,573)	(2,771)	(16,659)	(14,910)
Segment assets												
Segment assets	489,068	502,087	137,332	144,116	17,899	52,755	12,212	28,941	-	-	656,511	727,899
Segment liabilities												
Segment liabilities	96,982	108,642	33,867	37,987	14,763	20,342	49,951	56,574	-	-	195,563	223,545

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 2019, there were no changes in the composition of the Group.

12.) Changes in Contingent Liabilities/Assets

In the second quarter of 2019, there were no changes in contingent liabilities/assets of the Group.

13.) Capital Commitments

There were no material capital commitments as at the end of the second quarter of 2019.

14.) Significant Related Party Transactions

The Group has no significant related party transactions in the second quarter of 2019.

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

I.) Review of Performance - 2019 Second Quarter (Q2 2019) compared to 2018 Second Quarter (Q2 2018)

	Individual quarter 3 months ended		Changes	
	30.6.2019	30.6.2018	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue				
- Continuing operations	5,660	6,081	(421)	(7%)
- Discontinued operation	(5)	2,454	(2,459)	(100%)
	<u>5,655</u>	<u>8,535</u>	<u>(2,880)</u>	<u>(34%)</u>
Loss before interest and tax				
- Continuing operations	(6,213)	(4,931)	(1,282)	(26%)
- Discontinued operation	(821)	(1,027)	206	20%
	<u>(7,034)</u>	<u>(5,958)</u>	<u>(1,076)</u>	<u>(18%)</u>
Loss before tax				
- Continuing operations	(6,952)	(5,850)	(1,102)	(19%)
- Discontinued operation	(910)	(1,201)	291	24%
	<u>(7,862)</u>	<u>(7,051)</u>	<u>(811)</u>	<u>(12%)</u>
Loss after tax				
- Continuing operations	(6,869)	(5,802)	(1,067)	(18%)
- Discontinued operation	(910)	(1,201)	291	24%
	<u>(7,779)</u>	<u>(7,003)</u>	<u>(776)</u>	<u>(11%)</u>
Loss attributable to owners of the Company				
- Continuing operations	(6,869)	(5,802)	(1,067)	(18%)
- Discontinued operation	(910)	(1,201)	291	24%
	<u>(7,779)</u>	<u>(7,003)</u>	<u>(776)</u>	<u>(11%)</u>

During the three months to 30 June 2019, revenue from the hotel segment decreased by 7% year-to-year to RM5.7 million from RM6.1 million in the same period of 2018. This was largely due to lower food and beverage sales as business was held back by the renovation work to the all-day dining restaurant of the hotel. The reduced contribution from the restaurant was partially offset by stronger room sales from higher occupancy.

Net loss for the quarter increased to RM7.8 million from RM7.0 million in Q2 2018, owing to higher operating and administration expenses.

II.) Review of 2019 Second Quarter (Q2 2019) against 2019 First Quarter (Q1 2019)

	Individual quarter 3 months ended		Changes	
	30.6.2019 RM'000	31.3.2019 RM'000	RM'000	%
Revenue				
- Continuing operations	5,660	5,943	(283)	(5%)
- Discontinued operation	(5)	12	(17)	(142%)
	<u>5,655</u>	<u>5,955</u>	<u>(300)</u>	<u>(5%)</u>
Loss before interest and tax				
- Continuing operations	(6,213)	(7,040)	827	12%
- Discontinued operation	(821)	(876)	55	6%
	<u>(7,034)</u>	<u>(7,916)</u>	<u>882</u>	<u>11%</u>
Loss before tax				
- Continuing operations	(6,952)	(7,818)	866	11%
- Discontinued operation	(910)	(979)	69	7%
	<u>(7,862)</u>	<u>(8,797)</u>	<u>935</u>	<u>11%</u>
Loss after tax				
- Continuing operations	(6,869)	(7,735)	866	11%
- Discontinued operation	(910)	(979)	69	7%
	<u>(7,779)</u>	<u>(8,714)</u>	<u>935</u>	<u>11%</u>
Loss attributable to owners of the Company				
- Continuing operations	(6,869)	(7,735)	866	11%
- Discontinued operation	(910)	(979)	69	7%
	<u>(7,779)</u>	<u>(8,714)</u>	<u>935</u>	<u>11%</u>

The Group's revenue from the hotel business for Q2 2019 was RM5.7 million, down 5% compared to the preceding quarter of RM5.9 million, mainly due to the renovation works to the all-day dining restaurant carried out in Q2 2019 which adversely affected the operations.

The lower net loss of RM7.8 million in Q2 2019 against loss of RM8.7 million in Q1 2019 was mainly due to lower operating and administration expenses in the current quarter.

III.) **Prospects**

The outlook for the Group's hotel business should improve in the course of the year when business and corporate activities pick up in the second half of the year. For the property development segment, the Group continues to adopt a prudent stance in moving forward which is in line with the Group's risk management strategies.

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 second quarter of 2019.

VIII.) Loss from operations

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM'000	RM'000	RM'000	RM'000
Loss from operations is stated after charging/(crediting):-				
Continuing operations:				
Depreciation of property, plant and equipment	2,971	3,164	6,012	6,272
Gain from disposal of property, plant and equipment	(60)	(97)	(60)	(97)
Interest income	(77)	(342)	(121)	(722)
Discontinued operation:				
Depreciation of property, plant and equipment	46	29	95	88
Gain from disposal of property, plant and equipment	(203)	(118)	(203)	(332)
Interest income	(6)	(63)	(8)	(74)

IX.) Taxation

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Deferred tax relating to net surplus on revaluation of land and buildings	83	48	166	95

X.) Material Litigation

There were no material litigation as at the end of the second quarter of 2019.

XI.) Significant Event

On 5 November 2018, Macro Resources Sdn Bhd ("Macro"), a wholly owned subsidiary company, 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.

On 8 April 2019, Macro had undertaken its first creditors meeting pursuant to Section 421 of the Companies Act 2016. The statement of proposal prepared by the judicial manager was put forward to all the creditors and was approved by a majority vote of 94%.

On 12 July 2019, the court ordered an interim stay in respect of the statement of proposal in which all settlement arrangements shall be stayed until tentatively 21 October 2019.

On 19 July 2019, the court granted an extension order for the judicial management of Macro pursuant to section 406 of the Companies Act 2016 whereby the order shall be valid from 23 July 2019 to 22 January 2020.

XII.) Group Borrowings/Debt Securities

A.) Group borrowings/debt securities as at 30 June 2019 were :-

	Current RM'000	Non-current RM'000	Total borrowings RM'000
Secured			
Continuing operations			
- bank overdraft	3,338	-	3,338
- term loans	4,297	27,710	32,007
- finance lease payables	487	1,179	1,666
	<u>8,122</u>	<u>28,889</u>	<u>37,011</u>
Discontinued operation			
- term loan	4,491	-	4,491
	<u>4,491</u>	<u>-</u>	<u>4,491</u>
Total borrowings	<u>12,613</u>	<u>28,889</u>	<u>41,502</u>

B.) Group borrowings/debt securities as at 30 June 2018 were :-

	Current RM'000	Non-current RM'000	Total borrowings RM'000
Secured			
- bank overdrafts	3,910	-	3,910
- term loans	12,907	33,095	46,002
- finance lease payables	803	1,436	2,239
	<u>17,620</u>	<u>34,531</u>	<u>52,151</u>
Total borrowings	<u>17,620</u>	<u>34,531</u>	<u>52,151</u>

XIII.) Dividends

The Board of Directors did not recommend or paid any dividend for the second quarter of 2019.

XIV.) Loss Per Share

The basic loss per share amounts are calculated by dividing the loss net of tax attributable to owners of the Company 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 3 months ended		Cumulative Quarter 6 months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
Loss net of tax attributable to owners of the parent (RM'000)				
- Continuing operations	(6,869)	(5,802)	(14,604)	(12,037)
- Discontinued operation	(910)	(1,201)	(1,889)	(2,778)
	<u>(7,779)</u>	<u>(7,003)</u>	<u>(16,493)</u>	<u>(14,815)</u>
Weighted average number of shares ('000)	<u>333,790</u>	<u>341,589</u>	<u>333,790</u>	<u>341,589</u>
Basic and diluted loss per share (sen)				
- Continuing operations	(2.06)	(1.70)	(4.37)	(3.53)
- Discontinued operation	(0.27)	(0.35)	(0.57)	(0.81)
	<u>(2.33)</u>	<u>(2.05)</u>	<u>(4.94)</u>	<u>(4.34)</u>