

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000
Continuing operations				
Revenue	6,295	6,769	17,898	18,384
Cost of sales	(3,467)	(3,560)	(10,398)	(10,519)
Gross profit	2,828	3,209	7,500	7,865
Other income	12	209	201	1,046
Operating and administration expenses	(8,223)	(7,685)	(26,337)	(23,484)
Loss from continuing operations	(5,383)	(4,267)	(18,636)	(14,573)
Finance cost	(804)	(880)	(2,321)	(2,706)
Loss before tax	(6,187)	(5,147)	(20,957)	(17,279)
Income tax expense	105	47	271	142
Loss net of tax, from continuing operations	(6,082)	(5,100)	(20,686)	(17,137)
Discontinued operation				
Loss from discontinued operation, net of tax	(289)	(6,772)	(2,178)	(9,550)
Loss net of tax, representing total comprehensive income for the period	(6,371)	(11,872)	(22,864)	(26,687)
Loss attributable to owners of the Company	(6,371)	(11,872)	(22,864)	(26,687)
Total comprehensive income attributable to owners of the Company	(6,371)	(11,872)	(22,864)	(26,687)
Loss per share attributable to owners of the Company - basic and diluted (sen)				
- continuing operations	(1.82)	(1.50)	(6.21)	(5.02)
- discontinued operation	(0.09)	(1.98)	(0.65)	(2.80)
	(1.91)	(3.48)	(6.86)	(7.82)

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 30.9.2019 RM'000	As at preceding financial year end 31.12.2018 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	552,542	554,844
Other investment	1,000	1,000
Goodwill on consolidation	8,927	8,927
Property development costs	51,486	47,775
	<u>613,955</u>	<u>612,546</u>
Current Assets		
Trade and other receivables	9,372	31,048
Inventories	12,746	10,275
Income tax recoverable	255	6,341
Deposits, bank and cash balances	6,144	11,726
	<u>28,517</u>	<u>59,390</u>
Asset held for sale	-	280
Assets classified as discontinued operation	12,047	14,115
	<u>40,564</u>	<u>73,785</u>
TOTAL ASSETS	654,519	686,331
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Company		
Share capital	142,188	142,188
Treasury shares	(9,177)	(7,149)
Reserves	339,974	342,049
(Accumulated losses)/Retained earnings	(18,408)	2,381
Total equity	454,577	479,469
Non-current Liabilities		
Deferred tax liabilities	86,009	86,280
Borrowings	30,461	31,743
Income tax payable	5,397	5,397
	<u>121,867</u>	<u>123,420</u>
Current Liabilities		
Borrowings	6,434	5,214
Bank overdraft	3,723	3,823
Trade and other payables	12,318	14,573
Income tax payable	5,544	9,000
	<u>28,019</u>	<u>32,610</u>
Liabilities classified as discontinued operation	50,056	50,832
	<u>78,075</u>	<u>83,442</u>
Total liabilities	199,942	206,862
TOTAL EQUITY AND LIABILITIES	654,519	686,331
Net Assets Per Share (RM)	1.37	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

	9 months ended 30.9.2019 RM'000	9 months ended 30.9.2018 RM'000
Operating activities		
Loss before tax from:		
- continuing operations	(20,957)	(17,279)
- discontinued operation	<u>(2,178)</u>	<u>(9,550)</u>
Total loss before tax	(23,135)	(26,829)
Adjustments for:		
Non-cash items	8,842	14,051
Non-operating items	<u>2,438</u>	<u>2,202</u>
Operating cash before changes in working capital	(11,855)	(10,576)
Property development costs	(3,711)	(26,566)
Inventories	(2,471)	(4)
Receivables	23,530	54,458
Payables	(2,466)	(41,359)
Net income taxes refund/(paid)	<u>2,928</u>	<u>(4,742)</u>
Net cash from/(used in) operating activities	<u>5,955</u>	<u>(28,789)</u>
Investing activities		
Interest received	169	1,026
Purchase of property, plant and equipment	(6,450)	(1,547)
Proceeds from disposal of asset held for sale	280	-
Proceeds from disposal of property, plant and equipment	<u>350</u>	<u>529</u>
Net cash (used in)/from investing activities	<u>(5,651)</u>	<u>8</u>
Financing activities		
Drawdown of term loan	4,939	-
Fixed deposits pledged for banking facilities	(67)	(67)
Interest paid	(2,620)	(3,257)
Repayment of:		
- finance lease payables	(421)	(875)
- term loan	(5,352)	(6,016)
Purchase of treasury shares	<u>(2,028)</u>	<u>(543)</u>
Net cash used in financing activities	<u>(5,549)</u>	<u>(10,758)</u>
Net decrease in cash and cash equivalents	(5,245)	(39,539)
Cash and cash equivalents at beginning of period	5,400	60,358
Cash and cash equivalents at end of period	<u>155</u>	<u>20,819</u>
Cash and cash equivalents comprise:		
Cash and bank balances		
- continuing operations	6,144	27,837
- discontinued operation	1,019	47
Less : Bank overdrafts	(3,723)	(3,872)
: Fixed deposits pledged	<u>(3,285)</u>	<u>(3,193)</u>
	<u>155</u>	<u>20,819</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	-	-	-	-	(26,687)	(26,687)
Realisation of asset revaluation reserve	-	-	(1,996)	-	1,996	-
Transaction with owners of the Company: Purchase of treasury shares	-	(543)	-	-	-	(543)
At 30 September 2018	142,188	(6,626)	324,899	21,455	10,566	492,482
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	-	-	-	-	(22,864)	(22,864)
Realisation of asset revaluation reserve	-	-	(2,075)	-	2,075	-
Transaction with owners of the Company: Purchase of treasury shares	-	(2,028)	-	-	-	(2,028)
At 30 September 2019	142,188	(9,177)	318,519	21,455	(18,408)	454,577

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 third 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 third 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**

There were no issuances, cancellations, repurchases and repayments of debt and equity securities in the third quarter of 2019.

7.) **Dividends Paid**

There were no payment of dividends in the third 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 9 months ended 30 September was as follows:

	-----> Continuing operations <-----<						Discontinued		Adjustments and		Consolidated	
	Property		Hotel		Corporate		operation		eliminations			
	2019	2018	2019	2018	2019	2018	Construction		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	787	830	17,111	17,554	-	-	169	7,678	-	-	18,067	26,062
Inter-segment	-	-	-	-	1,290	2,070	-	-	(1,290)	(2,070)	-	-
Total revenue	787	830	17,111	17,554	1,290	2,070	169	7,678	(1,290)	(2,070)	18,067	26,062
Results												
Segment loss	(12,359)	(9,317)	(2,358)	(2,365)	(2,774)	(1,754)	(1,916)	(9,121)	(3,728)	(4,272)	(23,135)	(26,829)
Segment assets	485,298	497,744	140,946	142,550	16,228	38,017	12,047	21,855	-	-	654,519	700,166
Segment liabilities	96,975	98,512	37,855	34,657	15,056	19,933	50,056	54,582	-	-	199,942	207,684

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

12.) Changes in Contingent Liabilities/Assets

In the third 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 third quarter of 2019.

14.) Significant Related Party Transactions

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

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

I.) Review of Performance - 2019 Third Quarter (Q3 2019) compared to 2018 Third Quarter (Q3 2018)

	Individual quarter 3 months ended			
	30.9.2019	30.9.2018	Changes	
	RM'000	RM'000	RM'000	%
Revenue				
- Continuing operations	6,295	6,769	(474)	(7%)
- Discontinued operation	162	464	(302)	(65%)
	<u>6,457</u>	<u>7,233</u>	<u>(776)</u>	<u>(11%)</u>
Loss before interest and tax				
- Continuing operations	(5,383)	(4,267)	(1,116)	(26%)
- Discontinued operation	(195)	(6,611)	6,416	97%
	<u>(5,578)</u>	<u>(10,878)</u>	<u>5,300</u>	<u>49%</u>
Loss before tax				
- Continuing operations	(6,187)	(5,147)	(1,040)	(20%)
- Discontinued operation	(289)	(6,772)	6,483	96%
	<u>(6,476)</u>	<u>(11,919)</u>	<u>5,443</u>	<u>46%</u>
Loss after tax				
- Continuing operations	(6,082)	(5,100)	(982)	(19%)
- Discontinued operation	(289)	(6,772)	6,483	96%
	<u>(6,371)</u>	<u>(11,872)</u>	<u>5,501</u>	<u>46%</u>
Loss attributable to owners of the Company				
- Continuing operations	(6,082)	(5,100)	(982)	(19%)
- Discontinued operation	(289)	(6,772)	6,483	96%
	<u>(6,371)</u>	<u>(11,872)</u>	<u>5,501</u>	<u>46%</u>

During the three months to 30 September 2019, the Group's revenue from continuing operations declined by 7% year-on-year to RM6.29 million from RM6.77 million for the same quarter in 2018 on lower contribution from the hotel segment. The business of the hotel operations during the period was affected by the temporary closure of the hotel's all-day dining restaurant for an extensive makeover and the prolonged haze spell in the month of September.

Loss after tax from continuing operations increased to RM6.08 million from RM5.10 million in Q3 2018 due primarily to higher administration expenses. Overall loss after tax fell to RM6.37 million against RM11.87 million in previous year as a result of the mitigation of loss from the discontinued operation.

II.) Review of 2019 Third Quarter (Q3 2019) against 2019 Second Quarter (Q2 2019)

	Individual quarter 3 months ended			
	30.9.2019	30.6.2019	Changes	
	RM'000	RM'000	RM'000	%
Revenue				
- Continuing operations	6,295	5,660	635	11%
- Discontinued operation	162	(5)	167	3340%
	<u>6,457</u>	<u>5,655</u>	<u>802</u>	<u>14%</u>
Loss before interest and tax				
- Continuing operations	(5,383)	(6,213)	830	13%
- Discontinued operation	(195)	(821)	626	76%
	<u>(5,578)</u>	<u>(7,034)</u>	<u>1,456</u>	<u>21%</u>
Loss before tax				
- Continuing operations	(6,187)	(6,952)	765	11%
- Discontinued operation	(289)	(910)	621	68%
	<u>(6,476)</u>	<u>(7,862)</u>	<u>1,386</u>	<u>18%</u>
Loss after tax				
- Continuing operations	(6,082)	(6,869)	787	11%
- Discontinued operation	(289)	(910)	621	68%
	<u>(6,371)</u>	<u>(7,779)</u>	<u>1,408</u>	<u>18%</u>
Loss attributable to owners of the Company				
- Continuing operations	(6,082)	(6,869)	787	11%
- Discontinued operation	(289)	(910)	621	68%
	<u>(6,371)</u>	<u>(7,779)</u>	<u>1,408</u>	<u>18%</u>

The Group's revenue from continuing operations for Q3 2019 was RM6.29 million, up 11% against the prior quarter of RM5.66 million on stronger performance from the hotel segment. Comparing to the preceding quarter, the hotel operations enjoyed higher room occupancy and better room rates underpinned by a healthy upsurge in visitor arrivals from both the business and leisure market. Sales of food and beverage also outperformed the previous quarter on more bookings for seminar and banquet events.

Overall loss after tax of RM6.37 million in Q3 2019 was lower versus loss of RM7.78 million in Q2 2019 due mainly to lower operating and administration expenses for the quarter.

III.) Prospects

The Group's hotel business will continue contributing positively to the financial results of the Group for the remaining period of the financial 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 third quarter of 2019.

VIII.) Loss from operations

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	RM'000	RM'000	RM'000	RM'000
Loss from operations is stated after charging/(crediting):-				
Continuing operations:				
Depreciation of property, plant and equipment	2,941	3,073	8,953	9,345
Gain from disposal of property, plant and equipment	-	-	(60)	(97)
Interest income	(24)	(211)	(145)	(933)
Loss from disposal of asset held for sale	21	-	21	-
Discontinued operation:				
Depreciation of property, plant and equipment	37	19	132	107
Gain from disposal of property, plant and equipment	(1)	-	(204)	(332)
Impairment loss on receivables	-	4,847	-	4,847
Interest income	(16)	(19)	(24)	(93)
Provision for liquidated ascertained damages	-	182	-	182

IX.) Taxation

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Deferred tax relating to net surplus on revaluation of land and buildings	105	47	271	142

X.) Material Litigation

There were no material litigation as at the end of the third 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 September 2019 were :-

	Current RM'000	Non-current RM'000	Total borrowings RM'000
Secured			
Continuing operations			
- bank overdraft	3,723	-	3,723
- term loans	5,952	29,388	35,340
- finance lease payables	482	1,073	1,555
	<u>10,157</u>	<u>30,461</u>	<u>40,618</u>
Discontinued operation			
- term loan	4,583	-	4,583
	<u>4,583</u>	<u>-</u>	<u>4,583</u>
Total borrowings	<u>14,740</u>	<u>30,461</u>	<u>45,201</u>

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

	Current RM'000	Non-current RM'000	Total borrowings RM'000
Secured			
- bank overdrafts	3,872	-	3,872
- term loans	12,820	31,826	44,646
- finance lease payables	790	1,249	2,039
	<u>17,482</u>	<u>33,075</u>	<u>50,557</u>
Total borrowings	<u>17,482</u>	<u>33,075</u>	<u>50,557</u>

XIII.) Dividends

The Board of Directors did not recommend or paid any dividend for the third 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 9 months ended	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
Loss net of tax attributable to owners of the parent (RM'000)				
- Continuing operations	(6,082)	(5,100)	(20,686)	(17,137)
- Discontinued operation	(289)	(6,772)	(2,178)	(9,550)
	<u>(6,371)</u>	<u>(11,872)</u>	<u>(22,864)</u>	<u>(26,687)</u>
Weighted average number of shares ('000)	<u>333,329</u>	<u>341,443</u>	<u>333,329</u>	<u>341,443</u>
Basic and diluted loss per share (sen)				
- Continuing operations	(1.82)	(1.50)	(6.21)	(5.02)
- Discontinued operation	(0.09)	(1.98)	(0.65)	(2.80)
	<u>(1.91)</u>	<u>(3.48)</u>	<u>(6.86)</u>	<u>(7.82)</u>