

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 DECEMBER 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 12 months ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Continuing operations				
Revenue	6,999	6,776	24,897	25,160
Cost of sales	(3,605)	(3,621)	(14,003)	(14,140)
Gross profit	3,394	3,155	10,894	11,020
Other (expenses)/income	(1,207)	394	(1,006)	1,440
Operating and administration expenses	(15,155)	(8,734)	(41,492)	(32,218)
Loss from continuing operations	(12,968)	(5,185)	(31,604)	(19,758)
Finance cost	(800)	(849)	(3,121)	(3,555)
Loss before tax, from continuing operations	(13,768)	(6,034)	(34,725)	(23,313)
Income tax expense	1,488	4,479	1,759	4,621
Loss net of tax, from continuing operations	(12,280)	(1,555)	(32,966)	(18,692)
Discontinued operation				
Profit/(Loss) from discontinued operation, net of tax	32,362	(7,293)	30,184	(16,843)
Profit/(Loss) net of tax for the period	20,082	(8,848)	(2,782)	(35,535)
Other comprehensive income, net of tax				
Item that will not be reclassified subsequently to profit or loss				
Revaluation of land	(5,670)	2,140	(5,670)	2,140
Effect of changes in tax rate on asset revaluation reserve	-	(5,779)	-	(5,779)
Other comprehensive income, net of tax for the period	(5,670)	(3,639)	(5,670)	(3,639)
Total comprehensive income for the period	14,412	(12,487)	(8,452)	(39,174)
Profit/(Loss) attributable to owners of the Company	20,082	(8,848)	(2,782)	(35,535)
Total comprehensive income attributable to owners of the Company	14,412	(12,487)	(8,452)	(39,174)
Earnings/(Loss) per share attributable to owners of the Company - basic and diluted (sen)				
- continuing operations	(3.69)	(0.45)	(9.90)	(5.48)
- discontinued operation	9.72	(2.14)	9.06	(4.94)
	6.03	(2.59)	(0.84)	(10.42)

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 31.12.2019 RM'000	As at preceding financial year end 31.12.2018 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	532,179	554,844
Right-of-use assets	65	-
Other investment	1,000	1,000
Goodwill on consolidation	8,927	8,927
Property development costs	<u>51,254</u>	<u>47,775</u>
	<u>593,425</u>	<u>612,546</u>
Current Assets		
Trade and other receivables	4,611	31,048
Inventories	12,775	10,275
Income tax recoverable	255	6,341
Deposits, bank and cash balances	<u>6,090</u>	<u>11,726</u>
	23,731	59,390
Asset held for sale	9,500	280
Assets classified as discontinued operation	<u>-</u>	<u>14,115</u>
	<u>33,231</u>	<u>73,785</u>
TOTAL ASSETS	<u>626,656</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	333,675	342,049
Retained earnings	<u>2,302</u>	<u>2,381</u>
Total equity	<u>468,988</u>	<u>479,469</u>
Non-current Liabilities		
Deferred tax liabilities	83,874	86,280
Borrowings	29,049	31,743
Lease liabilities	14	-
Income tax payable	<u>-</u>	<u>5,397</u>
	<u>112,937</u>	<u>123,420</u>
Current Liabilities		
Borrowings	6,150	5,214
Bank overdraft	3,800	3,823
Lease liabilities	54	-
Trade and other payables	23,786	14,573
Income tax payable	<u>10,941</u>	<u>9,000</u>
	44,731	32,610
Liabilities classified as discontinued operation	<u>-</u>	<u>50,832</u>
	<u>44,731</u>	<u>83,442</u>
Total liabilities	157,668	206,862
TOTAL EQUITY AND LIABILITIES	<u>626,656</u>	<u>686,331</u>
Net Assets Per Share (RM)	1.41	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

	12 months ended 31.12.2019 RM'000	12 months ended 31.12.2018 RM'000
Operating activities		
Profit/(Loss) before tax from:		
- continuing operations	(34,725)	(23,313)
- discontinued operation	<u>30,184</u>	<u>(16,866)</u>
Total loss before tax	(4,541)	(40,179)
Adjustments for:		
Non-cash items	(24,572)	25,725
Non-operating items	<u>3,166</u>	<u>2,987</u>
Operating cash before changes in working capital	(25,947)	(11,467)
Property development costs	(3,479)	(28,365)
Inventories	(2,500)	(44)
Receivables	34,017	54,337
Payables	3,675	(47,729)
Net income taxes refund/(paid)	<u>2,912</u>	<u>(5,042)</u>
Net cash from/(used in) operating activities	<u>8,678</u>	<u>(38,310)</u>
Investing activities		
Deconsolidation of a subsidiary company	(1,547)	-
Interest received	333	1,216
Purchase of property, plant and equipment	(6,534)	(1,620)
Proceeds from disposal of asset held for sale	280	-
Proceeds from disposal of property, plant and equipment	<u>490</u>	<u>659</u>
Net cash (used in)/from investing activities	<u>(6,978)</u>	<u>255</u>
Financing activities		
Drawdown of term loan	4,939	-
Fixed deposits pledged for banking facilities	(85)	(92)
Interest paid	(3,512)	(4,233)
Payment of lease liabilities	(48)	-
Repayment of:		
- finance lease payables	(525)	(1,186)
- term loan	(6,854)	(10,326)
Purchase of treasury shares	<u>(2,028)</u>	<u>(1,066)</u>
Net cash used in financing activities	<u>(8,113)</u>	<u>(16,903)</u>
Net decrease in cash and cash equivalents	(6,413)	(54,958)
Cash and cash equivalents at beginning of period	5,400	60,358
Cash and cash equivalents at end of period	<u>(1,013)</u>	<u>5,400</u>
Cash and cash equivalents comprise:		
Cash and bank balances		
- continuing operations	6,090	11,726
- discontinued operation	-	715
Less : Bank overdrafts	(3,800)	(3,823)
: Fixed deposits pledged	<u>(3,303)</u>	<u>(3,218)</u>
	<u>(1,013)</u>	<u>5,400</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 ----->			
		Asset				
	Share capital	Treasury	revaluation	Capital	Retained	Total
	RM'000	shares	reserve	reserve	earnings	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	142,188	(6,083)	326,895	21,455	35,257	519,712
Effect of adopting MFRS 9	-	-	-	-	(3)	(3)
At 1 January 2018, as restated	142,188	(6,083)	326,895	21,455	35,254	519,709
Loss net of tax for the period	-	-	-	-	(35,535)	(35,535)
Other comprehensive income for the period	-	-	(3,639)	-	-	(3,639)
Total comprehensive income for the period	-	-	(3,639)	-	(35,535)	(39,174)
Realisation of asset revaluation reserve	-	-	(2,662)	-	2,662	-
Transaction with owners of the Company:						
Purchase of treasury shares	-	(1,066)	-	-	-	(1,066)
At 31 December 2018	142,188	(7,149)	320,594	21,455	2,381	479,469
At 1 January 2019	142,188	(7,149)	320,594	21,455	2,381	479,469
Effect of adopting MFRS 16	-	-	-	-	(1)	(1)
At 1 January 2019, as restated	142,188	(7,149)	320,594	21,455	2,380	479,468
Loss net of tax for the period	-	-	-	-	(2,782)	(2,782)
Other comprehensive income for the period	-	-	(5,670)	-	-	(5,670)
Total comprehensive income for the period	-	-	(5,670)	-	(2,782)	(8,452)
Realisation of asset revaluation reserve	-	-	(2,704)	-	2,704	-
Transaction with owners of the Company:						
Purchase of treasury shares	-	(2,028)	-	-	-	(2,028)
At 31 December 2019	142,188	(9,177)	312,220	21,455	2,302	468,988

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 fourth 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 fourth 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 fourth quarter of 2019.

7.) **Dividends Paid**

There were no payment of dividends in the fourth 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 year ended 31 December 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	1,260	1,098	23,637	24,062	-	-	(2,035)	2,619	-	-	22,862	27,779
Intra-segment	-	-	-	-	1,590	2,760	-	-	(1,590)	(2,760)	-	-
Total revenue	1,260	1,098	23,637	24,062	1,590	2,760	(2,035)	2,619	(1,590)	(2,760)	22,862	27,779
Results												
Segment (loss)/profit	(20,698)	(13,455)	(3,413)	(2,487)	(6,209)	(2,170)	30,534	(16,320)	(4,755)	(5,747)	(4,541)	(40,179)
Segment assets	475,969	496,616	136,698	140,538	13,989	35,062	-	14,115	-	-	626,656	686,331
Segment liabilities	99,183	99,740	37,117	36,681	21,368	19,609	-	50,832	-	-	157,668	206,862

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

12.) **Changes in Contingent Liabilities/Assets**

In the fourth 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 fourth quarter of 2019.

14.) **Significant Related Party Transactions**

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

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

I.) Review of Performance - 2019 Fourth Quarter (Q4 2019) compared to 2018 Fourth Quarter (Q4 2018)

	Individual quarter 3 months ended		Changes	
	31.12.2019 RM'000	31.12.2018 RM'000	RM'000	%
Revenue				
- Continuing operations	6,999	6,776	223	3%
- Discontinued operation	(2,204)	850	(3,054)	(359%)
	<u>4,795</u>	<u>7,626</u>	<u>(2,831)</u>	<u>(37%)</u>
Profit/(Loss) before interest and tax				
- Continuing operations	(12,968)	(5,185)	(7,783)	(150%)
- Discontinued operation	32,454	(7,190)	39,644	551%
	<u>19,486</u>	<u>(12,375)</u>	<u>31,861</u>	<u>257%</u>
Profit/(Loss) before tax				
- Continuing operations	(13,768)	(6,034)	(7,734)	(128%)
- Discontinued operation	32,362	(7,316)	39,678	542%
	<u>18,594</u>	<u>(13,350)</u>	<u>31,944</u>	<u>239%</u>
Profit/(Loss) after tax				
- Continuing operations	(12,280)	(1,555)	(10,725)	(690%)
- Discontinued operation	32,362	(7,293)	39,655	544%
	<u>20,082</u>	<u>(8,848)</u>	<u>28,930</u>	<u>327%</u>
Profit/(Loss) attributable to owners of the Company				
- Continuing operations	(12,280)	(1,555)	(10,725)	(690%)
- Discontinued operation	32,362	(7,293)	39,655	544%
	<u>20,082</u>	<u>(8,848)</u>	<u>28,930</u>	<u>327%</u>

During the three months to 31 December 2019, the Group's revenue from continuing operations rose by 3% year-on-year to RM7.0 million from RM6.8 million in 2018 on higher contribution from the property investment segment. The increase in rental income is attributed to the maiden rent from a key tenant in Plaza Armada. Revenue from the hotel segment remained relatively unchanged from last year's quarter.

Loss from continuing operations expanded to RM12.3 million from RM1.6 million in previous year owing to higher other expenses relating to the property development segment and the inclusion of a tax overprovision in previous year. After adjusting for the positive impact of RM41.1 million arising from the deconsolidation of a subsidiary company whose operations had been discontinued, the Group posted a net profit of RM20.1 million in this quarter as opposed to a net loss of RM8.8 million in previous year's quarter.

II.) Review of 2019 Fourth Quarter (Q4 2019) against 2019 Third Quarter (Q3 2019)

	Individual quarter 3 months ended			
	31.12.2019 RM'000	30.9.2019 RM'000	Changes RM'000 %	
Revenue				
- Continuing operations	6,999	6,295	704	11%
- Discontinued operation	(2,204)	162	(2,366)	(1460%)
	4,795	6,457	(1,662)	(26%)
Profit/(Loss) before interest and tax				
- Continuing operations	(12,968)	(5,383)	(7,585)	(141%)
- Discontinued operation	32,454	(195)	32,649	16743%
	19,486	(5,578)	25,064	449%
Profit/(Loss) before tax				
- Continuing operations	(13,768)	(6,187)	(7,581)	(123%)
- Discontinued operation	32,362	(289)	32,651	11298%
	18,594	(6,476)	25,070	387%
Profit/(Loss) after tax				
- Continuing operations	(12,280)	(6,082)	(6,198)	(102%)
- Discontinued operation	32,362	(289)	32,651	11298%
	20,082	(6,371)	26,453	415%
Profit/(Loss) attributable to owners of the Company				
- Continuing operations	(12,280)	(6,082)	(6,198)	(102%)
- Discontinued operation	32,362	(289)	32,651	11298%
	20,082	(6,371)	26,453	415%

The Group's revenue from continuing operations for Q4 2019 shows a growth of 11% to RM7.0 million from the preceding quarter of RM6.3 million on improved performance from the hotel segment and the property investment segment. The stronger results from the hotel segment was driven by the increase in number of room nights sold coupled with robust food and beverage business from seminar and festive bookings. The higher revenue from the property investment segment was due to the commencement of rent by a new tenant in Plaza Armada.

Loss from continuing operations increased quarter-on-quarter to RM12.3 million from RM6.1 million in preceding quarter on account of higher expenses related to the property development segment. The net profit of RM20.1 million recorded in this quarter, as opposed to a loss of RM6.4 million in the preceding quarter, was due mainly to the effect of the gain of RM41.1 million recognised in this quarter arising from the deconsolidation of a subsidiary company whose operations had been discontinued.

III.) Prospects

The Board of Directors is cautious on the near-term outlook of the hotel segment in light of the uncertainty casted by the Covid-19 coronavirus over the travel and hospitality industry. For the property development segment, the Group recently secured a development order for 246 units of shop and 64 units of retail lots on a 9-acre plot of land in Johor Bahru. In view of the sluggish market condition expected to continue in 2020, the Board of Directors will adopt a prudent approach in undertaking the development.

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 2019.

VIII.) **Profit/(Loss) from operations**

	Individual Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) from operations is stated after charging/(crediting):-				
Continuing operations:				
Depreciation of property, plant and equipment	3,112	3,057	12,065	12,402
Depreciation of right-of-use assets	50	-	50	-
Gain from disposal of property, plant and equipment	-	-	(60)	(97)
Finance income on receivables	-	(300)	-	(300)
Impairment loss on receivables	1	148	1	148
Interest income	(161)	(181)	(306)	(1,114)
Property, plant and equipment written off	1,394	-	1,394	-
Discontinued operation:				
Depreciation of property, plant and equipment	(66)	32	66	139
Gain from deconsolidation of subsidiary company	(41,141)	-	(41,141)	-
Gain from disposal of property, plant and equipment	-	(125)	(204)	(457)
Finance income on receivables	(155)	(292)	(155)	(292)
Impairment loss on receivables	3,404	3,421	3,404	8,268
Interest income	(3)	(9)	(27)	(102)
Property, plant and equipment written off	6	12	6	12
Provision for liquidated ascertained damages	-	5,729	-	5,910

IX.) **Taxation**

	Individual Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Current year provision	(15)	-	(15)	-
Over provision in prior year	-	3,781	-	3,781
Deferred tax relating to reversal of temporary differences	1,421	651	1,421	651
Deferred tax relating to net surplus on revaluation of land and buildings	82	47	353	189
	<u>1,488</u>	<u>4,479</u>	<u>1,759</u>	<u>4,621</u>
Discontinued operation				
Deferred tax relating to reversal of temporary differences	-	23	-	23
Total income tax expense	<u>1,488</u>	<u>4,502</u>	<u>1,759</u>	<u>4,644</u>

X.) Material Litigation

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

XI.) Significant Event

On 23 January 2019, Macro Resources Sdn Bhd ("Macro"), a wholly owned subsidiary company, was placed under the judicial management of a judicial manager under Section 405 of the Companies Act 2016, and Mr Ng Choon Jin was appointed the judicial manager of Macro who will thenceforth handle all the affairs of the company.

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

On 21 January 2020, the court granted an order for the extension of the appointment of the judicial management for Macro pursuant to section 406 of the Companies Act 2016 whereby the order shall be valid from 22 January 2020 to 21 July 2020.

XII.) Group Borrowings/Debt Securities

A.) Group borrowings/debt securities as at 31 December 2019 were :-

	Current RM'000	Non-current RM'000	Total borrowings RM'000
Secured			
Continuing operations			
- bank overdraft	3,800	-	3,800
- term loans	5,715	28,034	33,749
- finance lease payables	435	1,015	1,450
	<u>9,950</u>	<u>29,049</u>	<u>38,999</u>
Total borrowings	<u>9,950</u>	<u>29,049</u>	<u>38,999</u>

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

	Current RM'000	Non-current RM'000	Total borrowings RM'000
Secured			
Continuing operations			
- bank overdrafts	3,823	-	3,823
- term loan	4,727	30,478	35,205
- finance lease payables	487	1,265	1,752
	<u>9,037</u>	<u>31,743</u>	<u>40,780</u>
Discontinued operation			
- term loan	5,132	-	5,132
- finance lease payables	18	6	24
	<u>5,150</u>	<u>6</u>	<u>5,156</u>
Total borrowings	<u>14,187</u>	<u>31,749</u>	<u>45,936</u>

XIII.) Dividends

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

XIV.) Earnings/(Loss) Per Share

The basic earnings/(loss) per share amounts are calculated by dividing the profit/(loss) net of tax attributable to owners of the Company by the weighted average number of shares in issue. The computation of diluted earnings/(loss) per share is not affected by any other factors.

	Individual Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Profit/(Loss) net of tax attributable to owners of the parent (RM'000)				
- Continuing operations	(12,280)	(1,555)	(32,966)	(18,692)
- Discontinued operation	<u>32,362</u>	<u>(7,293)</u>	<u>30,184</u>	<u>(16,843)</u>
	<u>20,082</u>	<u>(8,848)</u>	<u>(2,782)</u>	<u>(35,535)</u>
Weighted average number of shares ('000)	<u>333,100</u>	<u>341,011</u>	<u>333,100</u>	<u>341,011</u>
Basic and diluted earnings/(loss) per share (sen)				
- Continuing operations	(3.69)	(0.45)	(9.90)	(5.48)
- Discontinued operation	<u>9.72</u>	<u>(2.14)</u>	<u>9.06</u>	<u>(4.94)</u>
	<u>6.03</u>	<u>(2.59)</u>	<u>(0.84)</u>	<u>(10.42)</u>