

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2020
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31.3.2020	31.3.2019	31.3.2020	31.3.2019
	RM'000	RM'000	RM'000	RM'000
Revenue	5,056	5,943	5,056	5,943
Cost of sales	(3,049)	(3,495)	(3,049)	(3,495)
Gross profit	2,007	2,448	2,007	2,448
Other income	59	47	59	47
Operating and administrative expenses	(10,550)	(10,411)	(10,550)	(10,411)
Loss from operations	(8,484)	(7,916)	(8,484)	(7,916)
Finance cost	(1,034)	(881)	(1,034)	(881)
Loss before tax	(9,518)	(8,797)	(9,518)	(8,797)
Income tax expense	84	83	84	83
Loss net of tax, representing total comprehensive loss for the period	(9,434)	(8,714)	(9,434)	(8,714)
Loss per share attributable to owners of the Company - basic and diluted (sen)	(2.84)	(2.60)	(2.84)	(2.60)

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 2019.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at end of current quarter 31.3.2020 RM'000	As at preceding financial year end 31.12.2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	347,883	349,329
Right-of-use assets	181,449	182,916
Other investment	1,000	1,000
Goodwill on consolidation	8,927	8,927
Inventories	<u>53,483</u>	<u>51,254</u>
	<u>592,742</u>	<u>593,426</u>
Current assets		
Inventories	12,774	12,775
Trade and other receivables	4,140	4,611
Income tax recoverable	285	255
Deposits, bank and cash balances	<u>7,125</u>	<u>6,090</u>
	<u>24,324</u>	<u>23,731</u>
Asset held for sale	<u>9,500</u>	<u>9,500</u>
	<u>33,824</u>	<u>33,231</u>
TOTAL ASSETS	<u>626,566</u>	<u>626,657</u>
EQUITY AND LIABILITIES		
Equity Attributable to owners of the Company		
Share capital	142,188	142,188
Treasury shares	(9,177)	(9,177)
Reserves	333,047	333,675
(Accumulated losses)/Retained earnings	<u>(6,504)</u>	<u>2,302</u>
Total equity	<u>459,554</u>	<u>468,988</u>
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	83,792	83,876
Term loans	41,570	28,034
Lease liabilities	<u>919</u>	<u>1,029</u>
	<u>126,281</u>	<u>112,939</u>
Current liabilities		
Trade and other payables	22,376	23,785
Term loans	5,558	5,714
Lease liabilities	480	490
Bank overdraft	3,876	3,800
Income tax payable	<u>8,441</u>	<u>10,941</u>
	<u>40,731</u>	<u>44,730</u>
Total liabilities	<u>167,012</u>	<u>157,669</u>
TOTAL EQUITY AND LIABILITIES	<u>626,566</u>	<u>626,657</u>
Net assets per share (RM)	1.38	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 2019.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months ended 31.3.2020 RM'000	3 months ended 31.3.2019 RM'000
Operating activities		
Loss before tax	(9,518)	(8,797)
Adjustments for:		
Non-cash items	2,953	3,091
Non-operating items	979	835
Operating cash before changes in working capital	(5,586)	(4,871)
Inventories	(2,228)	(662)
Receivables	471	15,956
Payables	(1,383)	(2,563)
Net income taxes paid	(2,530)	(2,384)
Net cash (used in)/from operating activities	<u>(11,256)</u>	<u>5,476</u>
Investing activities		
Interest received	55	46
Purchase of property, plant and equipment	(40)	(379)
Net cash from/(used in) investing activities	<u>15</u>	<u>(333)</u>
Financing activities		
Drawdown of term loan	15,000	-
Fixed deposits pledged for banking facilities	(23)	-
Interest paid	(1,060)	(894)
Repayment of:		
- lease liabilities	(120)	(158)
- term loan	(1,620)	(2,316)
Purchase of treasury shares	-	(2,014)
Net cash from/(used in) financing activities	<u>12,177</u>	<u>(5,382)</u>
Net increase/(decrease) in cash and cash equivalents	936	(239)
Cash and cash equivalents at beginning of period	(1,013)	5,400
Cash and cash equivalents at end of period	<u>(77)</u>	<u>5,161</u>
Cash and cash equivalents comprise:		
Cash and bank balances	7,125	11,448
Less : Bank overdraft	(3,876)	(3,069)
: Fixed deposits pledged	(3,326)	(3,218)
	<u>(77)</u>	<u>5,161</u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<----- Attributable to owners of the Company ----->					
	<----- Non-distributable ----->		<----- Distributable ----->			
	Share capital	Treasury shares	Asset revaluation reserve	Capital reserve	Retained earnings/ (Accumulated losses)	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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 loss for the period	-	-	-	-	(8,714)	(8,714)
Realisation of asset revaluation reserve	-	-	(628)	-	628	-
Transaction with owners of the Company:						
Purchase of treasury shares	-	(2,014)	-	-	-	(2,014)
At 31 March 2019	142,188	(9,163)	319,966	21,455	(5,705)	468,741
At 1 January 2020	142,188	(9,177)	312,220	21,455	2,302	468,988
Loss net of tax for the period, representing total comprehensive loss for the period	-	-	-	-	(9,434)	(9,434)
Realisation of asset revaluation reserve	-	-	(628)	-	628	-
At 31 March 2020	142,188	(9,177)	311,592	21,455	(6,504)	459,554

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

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 2019. 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 2019.

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 2019.

The Group has also adopted all new MFRSs and amendments to MFRSs that are relevant and effective for the accounting periods beginning on or after 1 January 2020, and the adoption of these new MFRSs and amendments to MFRSs do not have any significant impact on the financial statements of the Group for the first quarter of 2020.

2.) Auditors' Report

The auditors' report on the Group's financial statements for the year ended 31 December 2019 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 first quarter of 2020, 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 first quarter of 2020.

7.) Dividends Paid

There were no payment of dividends in the first quarter of 2020.

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 3 months ended 31 March was as follows:

	Property		Hotel		Corporate		Construction		Adjustments and eliminations		Consolidated	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue												
External customers	833	262	4,223	5,681	-	-	-	-	-	-	5,056	5,943
Inter-segment	-	-	-	-	300	690	-	-	(300)	(690)	-	-
Total revenue	833	262	4,223	5,681	300	690	-	-	(300)	(690)	5,056	5,943
Results												
Segment loss	(5,700)	(4,847)	(1,680)	(897)	(1,159)	(1,341)	-	(877)	(979)	(835)	(9,518)	(8,797)
Segment assets	479,152	493,445	133,962	138,561	13,452	19,616	-	13,593	-	-	626,566	665,215
Segment liabilities	113,049	96,675	35,285	34,572	18,678	14,792	-	50,435	-	-	167,012	196,474

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 announcement of this report.

11.) **Changes in the Composition of the Group**

In the first quarter of 2020, there were no changes in the composition of the Group.

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

In the first quarter of 2020, 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 first quarter of 2020.

14.) **Significant Related Party Transactions**

The Group has no significant related party transactions in the first quarter of 2020.

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

I.) Review of Performance - 2020 First Quarter (Q1 2020) compared to 2019 First Quarter (Q1 2019)

	Individual quarter 3 months ended		Changes	
	31.3.2020	31.3.2019	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	5,056	5,943	(887)	(15%)
Loss before interest and tax	(8,484)	(7,916)	(568)	(7%)
Loss before tax	(9,518)	(8,797)	(721)	(8%)
Loss after tax	(9,434)	(8,714)	(720)	(8%)
Loss attributable to owners of the Company	(9,434)	(8,714)	(720)	(8%)

For the three months to 31 March 2020, the Group's revenue fell by RM887,000 or 15% to RM5.06 million from RM5.94 million in prior year period on lower income contribution from the hotel segment. The business of the hotel segment was severely impacted by the outbreak of the covid-19 coronavirus in late January and the subsequent imposition of movement control order ('MCO') in mid March. The performance of the hotel segment started to decline in late January as evident from the large numbers of cancellation of room reservations and events, and it further deteriorated when the MCO took effect. The lower revenue from the hotel segment was partially mitigated by the three-fold increase in income from the property investment segment from RM262,000 in previous year quarter to RM833,000 in Q1 2020 due to rent from a new tenant.

The higher net loss of RM9.43 million as compared to the previous year's net loss of RM8.71 million was due to lower revenue and higher finance cost on additional bank borrowings.

II.) Review of 2020 First Quarter (Q1 2020) against 2019 Fourth Quarter (Q4 2019)

	Individual quarter 3 months ended		Changes	
	31.3.2020	31.12.2019	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	5,056	6,999	(1,943)	(28%)
(Loss)/Profit before interest and tax	(8,484)	19,486	(27,970)	(144%)
(Loss)/Profit before tax	(9,518)	18,594	(28,112)	(151%)
(Loss)/Profit after tax	(9,434)	20,082	(29,516)	(147%)
(Loss)/Profit attributable to owners of the Company	(9,434)	20,082	(29,516)	(147%)

The Group's revenue for Q1 2020 was RM1.94 million or 28% lower than the prior quarter of RM7.00 million on weaker performance from the hotel segment reflecting the impact of the covid-19 coronavirus outbreak in late January and the subsequent MCO in mid March, a traditionally stronger month within the first quarter of the year. The ensuing travel ban and stay-home order had led to a sharp drop in guest arrivals and events from late January to mid March, after which the business came to a complete halt for the rest of the period.

Consequently, the Group registered a net loss of RM9.43 million for Q1 2020 on the back of lower revenue and higher administrative expenses. The net profit of RM20.08 million posted in the preceding period included an accounting gain of RM41.14 million related to the deconsolidation of a subsidiary company.

III.) Prospects

The business operating condition has taken a turn following the unprecedented health crisis. The covid-19 coronavirus pandemic has caused severe disruption to economic activities and has weakened the confidence of public to socialise, spend and travel. The hotel industry will continue to face two main headwinds, namely a contraction in overall economic activities and the need for social distancing, which encourages staying at home or in settings with few other humans; and not traveling. This will cause a severe decline in demand for hotel rooms and events. Amid this uncertain and unfavourable outlook, the Board of Directors expects the Group to post weaker results in the coming financial quarters.

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 announcement of this report.

VI.) Disclosure of Derivatives

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

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 first quarter of 2020.

VIII.) Loss from operations

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31.3.2020	31.3.2019	31.3.2020	31.3.2019
	RM'000	RM'000	RM'000	RM'000
Loss from operations is stated after charging/(crediting):-				
Depreciation of property, plant and equipment	1,486	1,636	1,486	1,636
Depreciation of right-of-use assets	1,467	1,454	1,467	1,454
Interest income	(55)	(46)	(55)	(46)

IX.) Income Tax Expense

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31.3.2020	31.3.2019	31.3.2020	31.3.2019
	RM'000	RM'000	RM'000	RM'000
Deferred tax relating to net surplus on revaluation of land and buildings	84	83	84	83

X.) Material Litigation

There were no material litigation as at the end of the first quarter of 2020.

XI.) Significant Event**(a) Appointment of judicial manager for a subsidiary company**

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.

(b) Outbreak effect of coronavirus pandemic

The Board of Directors has closely monitored the development of the outbreak of coronavirus pandemic ('Covid-19') infection in Malaysia that may affect the business performance, financial performance and financial position of the Group mainly due to travel and movement restriction and other precautionary measures imposed by relevant local authorities that affected the Group business operations. As at the date of announcement of this report, the financial impact of the Covid-19 outbreak to the Group cannot be reasonably estimated due to the inherent unpredictable nature and rapid development relating to Covid-19, the extent of the impact depends on the on-going precautionary measures introduced by each country to address this pandemic and the durations of the pandemic. As such, the Board of Directors will continue to closely monitor the situations and respond proactively to mitigate the impact on the Group's financial performance and financial position.

XII.) Group Borrowings/Debt Securities

(a) Group borrowings/debt securities as at 31 March 2020 were :-

	Current	Non-current	Total
	RM'000	RM'000	borrowings
			RM'000
Secured			
- bank overdraft	3,876	-	3,876
- term loans	5,558	41,570	47,128
- lease liabilities	480	919	1,399
Total borrowings	<u>9,914</u>	<u>42,489</u>	<u>52,403</u>

(b) Group borrowings/debt securities as at 31 March 2019 were :-

	Current RM'000	Non-current RM'000	Total borrowings RM'000
Secured			
- bank overdrafts	3,069	-	3,069
- term loans	8,916	29,104	38,020
- lease liabilities	492	1,126	1,618
Total borrowings	<u>12,477</u>	<u>30,230</u>	<u>42,707</u>

XIII.) Dividends

The Board of Directors did not recommend or paid any dividend for the first quarter of 2020.

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 3 months ended	
	31.3.2020	31.3.2019	31.3.2020	31.3.2019
Loss net of tax attributable to owners of the Company (RM'000)	<u>(9,434)</u>	<u>(8,714)</u>	<u>(9,434)</u>	<u>(8,714)</u>
Weighted average number of shares ('000)	<u>332,421</u>	<u>335,174</u>	<u>332,421</u>	<u>335,174</u>
Basic and diluted loss per share (sen)	<u>(2.84)</u>	<u>(2.60)</u>	<u>(2.84)</u>	<u>(2.60)</u>