

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 30 JUNE 2020
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Revenue	1,129	5,660	6,185	11,603
Cost of sales	(673)	(3,436)	(3,722)	(6,931)
Gross profit	456	2,224	2,463	4,672
Other income	46	352	105	399
Operating and administrative expenses	(5,822)	(9,610)	(16,372)	(20,020)
Loss from operations	(5,320)	(7,034)	(13,804)	(14,949)
Finance cost	(993)	(828)	(2,027)	(1,710)
Loss before tax	(6,313)	(7,862)	(15,831)	(16,659)
Income tax expense	83	83	167	166
Loss net of tax, representing total comprehensive loss for the period	(6,230)	(7,779)	(15,664)	(16,493)
Loss per share attributable to owners of the Company - basic and diluted (sen)	(1.87)	(2.33)	(4.71)	(4.94)

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 30.6.2020 RM'000	As at preceding financial year end 31.12.2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	346,474	349,329
Right-of-use assets	179,917	182,916
Other investment	1,000	1,000
Goodwill on consolidation	8,927	8,927
Inventories	<u>55,098</u>	<u>51,254</u>
	<u>591,416</u>	<u>593,426</u>
Current assets		
Inventories	12,618	12,775
Trade and other receivables	2,630	4,611
Income tax recoverable	285	255
Deposits, bank and cash balances	<u>5,367</u>	<u>6,090</u>
	20,900	23,731
Asset held for sale	<u>9,500</u>	<u>9,500</u>
	<u>30,400</u>	<u>33,231</u>
TOTAL ASSETS	<u>621,816</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	332,419	333,675
(Accumulated losses)/Retained earnings	<u>(12,106)</u>	<u>2,302</u>
Total equity	<u>453,324</u>	<u>468,988</u>
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	83,709	83,876
Term loans	41,570	28,034
Lease liabilities	<u>891</u>	<u>1,029</u>
	<u>126,170</u>	<u>112,939</u>
Current liabilities		
Trade and other payables	23,932	23,785
Term loans	5,554	5,714
Lease liabilities	467	490
Bank overdraft	3,948	3,800
Income tax payable	<u>8,421</u>	<u>10,941</u>
	<u>42,322</u>	<u>44,730</u>
Total liabilities	168,492	157,669
TOTAL EQUITY AND LIABILITIES	<u>621,816</u>	<u>626,657</u>
Net assets per share (RM)	1.36	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

	6 months ended 30.6.2020 RM'000	6 months ended 30.6.2019 RM'000
Operating activities		
Loss before tax	(15,831)	(16,659)
Adjustments for:		
Non-cash items	5,899	5,844
Non-operating items	<u>1,929</u>	<u>1,583</u>
Operating cash before changes in working capital	(8,003)	(9,232)
Inventories	(3,687)	(2,646)
Receivables	1,981	18,782
Payables	(256)	(3,205)
Net income taxes (paid)/refund	<u>(2,550)</u>	<u>2,928</u>
Net cash (used in)/from operating activities	<u>(12,515)</u>	<u>6,627</u>
Investing activities		
Interest received	98	129
Proceeds from disposal of property, plant and equipment	-	350
Purchase of property, plant and equipment	<u>(44)</u>	<u>(901)</u>
Net cash from/(used in) investing activities	<u>54</u>	<u>(422)</u>
Financing activities		
Drawdown of term loan	15,000	-
Fixed deposits pledged for banking facilities	(51)	(49)
Interest paid	(1,626)	(1,749)
Repayment of:		
- lease liabilities	(160)	(310)
- term loan	(1,624)	(3,839)
Purchase of treasury shares	<u>-</u>	<u>(2,028)</u>
Net cash from/(used in) financing activities	<u>11,539</u>	<u>(7,975)</u>
Net decrease in cash and cash equivalents	(922)	(1,770)
Cash and cash equivalents at beginning of period	(1,013)	5,400
Cash and cash equivalents at end of period	<u>(1,935)</u>	<u>3,630</u>
Cash and cash equivalents comprise:		
Cash and bank balances	5,367	10,235
Less : Bank overdraft	(3,948)	(3,338)
: Fixed deposits pledged	<u>(3,354)</u>	<u>(3,267)</u>
	<u>(1,935)</u>	<u>3,630</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 ----->					Total RM'000
	<----- 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	
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	-	-	-	-	(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>
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	-	-	-	-	(15,664)	(15,664)
Realisation of asset revaluation reserve	-	-	(1,256)	-	1,256	-
At 30 June 2020	<u>142,188</u>	<u>(9,177)</u>	<u>310,964</u>	<u>21,455</u>	<u>(12,106)</u>	<u>453,324</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 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 second 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 second 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 second quarter of 2020.

7.) **Dividends Paid**

There were no payment of dividends in the second 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 6 months ended 30 June 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	1,353	520	4,832	11,083	-	-	-	-	-	-	6,185	11,603
Inter-segment	-	-	-	-	600	990	-	-	(600)	(990)	-	-
Total revenue	1,353	520	4,832	11,083	600	990	-	-	(600)	(990)	6,185	11,603
Results												
Segment loss	(8,120)	(8,730)	(3,924)	(1,925)	(1,858)	(2,718)	-	(1,703)	(1,929)	(1,583)	(15,831)	(16,659)
Segment assets	477,321	489,068	131,373	137,332	13,122	17,899	-	12,212	-	-	621,816	656,511
Segment liabilities	114,601	96,982	35,159	33,867	18,732	14,763	-	49,951	-	-	168,492	195,563

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

12.) Changes in Contingent Liabilities/Assets

In the second 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 second quarter of 2020.

14.) Significant Related Party Transactions

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

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

I.) Review of Performance - 2020 Second Quarter (Q2 2020) compared to 2019 Second Quarter (Q2 2019)

	Individual quarter 3 months ended		Changes	
	30.6.2020 RM'000	30.6.2019 RM'000	RM'000	%
Revenue	1,129	5,660	(4,531)	(80%)
Loss before interest and tax	(5,320)	(7,034)	1,714	24%
Loss before tax	(6,313)	(7,862)	1,549	20%
Loss after tax	(6,230)	(7,779)	1,549	20%
Loss attributable to owners of the Company	(6,230)	(7,779)	1,549	20%

For the three months to 30 June 2020, the Group experienced a sharp drop in revenue to RM1.13 million which is equivalent to 20% of the amount of revenue recorded in the same period last year. During the quarter, the business of the hotel segment was severely impacted by the worldwide travel restriction and the movement control imposed by the government to curb the spread of the covid-19 coronavirus. These measures, along with social distancing requirement and fear of infection, led to a sudden and steep slump in business and leisure travel as well as meetings and private events. Consequently the hotel segment recorded historic low in sales of rooms and food & beverages. There was a RM262,000 increase in income from the property investment segment on additional rent from a new tenant.

Net loss for the quarter narrowed to RM6.23 million as compared to RM7.78 million loss in previous year as a result of measures taken to control and rationalise the operational and administrative cost.

II.) Review of 2020 Second Quarter (Q2 2020) against 2020 First Quarter (Q1 2020)

	Individual quarter 3 months ended		Changes	
	30.6.2020 RM'000	31.3.2020 RM'000	RM'000	%
Revenue	1,129	5,056	(3,927)	(78%)
Loss before interest and tax	(5,320)	(8,484)	3,164	37%
Loss before tax	(6,313)	(9,518)	3,205	34%
Loss after tax	(6,230)	(9,434)	3,204	34%
Loss attributable to owners of the Company	(6,230)	(9,434)	3,204	34%

The Group's revenue for this quarter was down by 78% to RM1.13 million from RM5.06 million posted in the previous quarter on significant lower revenue from the hotel segment. The performance of the hotel segment reflected the full impact of the travel ban, lockdown and physical distancing enforced during the quarter as the hotel was mostly closed for the period with loss of business from restrictions on domestic and inbound travel, meetings and private events.

Net loss for the quarter narrowed to RM6.23 million from RM9.43 million loss in previous quarter due to measures taken to drastically control and rationalise the operations and administrative cost.

III.) Prospects

The unprecedented pandemic has adversely impacted the tourism, travel and hospitality industries worldwide. Amid the prevalent international travel bans and restricted group meeting capacity on fear of new wave of infection, the Board of Directors expects business pick-up of our hotel segment to be more gradual than previously anticipated. Accordingly, business performance for the remaining period of the year is expected to be significantly lower than previous year. The exact financial impact for the whole of the financial year 2020 and beyond remains difficult to estimate as it will depend on the duration and the economic consequences of this pandemic.

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 second quarter of 2020.

VIII.) Loss from operations

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
Loss from operations is stated				
after charging/(crediting):-				
Depreciation of property, plant and equipment	1,413	1,475	2,899	3,111
Depreciation of right-of-use assets	1,532	1,542	2,999	2,996
Gain from disposal of property, plant and equipment	-	(263)	-	(263)
Interest income	(43)	(83)	(98)	(129)

IX.) Income Tax Expense

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
Deferred tax relating to net surplus on revaluation of land and buildings	83	83	167	166

X.) Material Litigation

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

XI.) Significant Event

Macro Resources Sdn Bhd ("Macro"), a wholly owned subsidiary company, was on 23 January 2019 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 14 July 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 21 July 2020 to 20 January 2021.

XII.) Group Borrowings/Debt Securities

(a) Group borrowings/debt securities as at 30 June 2020 were :-

	Current	Non-current	Total
	RM'000	RM'000	borrowings
			RM'000
Secured			
- bank overdraft	3,948	-	3,948
- term loans	5,554	41,570	47,124
- lease liabilities	467	891	1,358
Total borrowings	9,969	42,461	52,430

(b) Group borrowings/debt securities as at 30 June 2019 were :-

	Current	Non-current	Total
	RM'000	RM'000	borrowings
			RM'000
Secured			
- bank overdraft	3,338	-	3,338
- term loans	8,788	27,710	36,498
- lease liabilities	487	1,179	1,666
Total borrowings	12,613	28,889	41,502

XIII.) Dividends

The Board of Directors did not recommend or paid any dividend for the second 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		Cumulative Quarter	
	3 months ended		6 months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
Loss net of tax attributable to owners of the Company (RM'000)	<u>(6,230)</u>	<u>(7,779)</u>	<u>(15,664)</u>	<u>(16,493)</u>
Weighted average number of shares ('000)	<u>332,421</u>	<u>333,790</u>	<u>332,421</u>	<u>333,790</u>
Basic and diluted loss per share (sen)	<u>(1.87)</u>	<u>(2.33)</u>	<u>(4.71)</u>	<u>(4.94)</u>