

LIEN HOE CORPORATION BERHAD

Registration No. 196901000161 (8507-X)

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 30 SEPTEMBER 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		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Revenue	3,109	6,295	9,294	17,898
Cost of sales	(1,424)	(3,467)	(5,146)	(10,398)
Gross profit	1,685	2,828	4,148	7,500
Other (expenses)/income	(4,567)	30	(4,462)	429
Operating and administrative expenses	(5,624)	(8,436)	(21,996)	(28,456)
Loss from operations	(8,506)	(5,578)	(22,310)	(20,527)
Finance cost	(971)	(898)	(2,998)	(2,608)
Loss before tax	(9,477)	(6,476)	(25,308)	(23,135)
Income tax expense	779	105	946	271
Loss net of tax, representing total comprehensive loss for the period	(8,698)	(6,371)	(24,362)	(22,864)
Loss per share attributable to owners of the Company - basic and diluted (sen)	(2.62)	(1.91)	(7.33)	(6.86)

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 30.9.2020 RM'000	As at preceding financial year end 31.12.2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	345,031	349,329
Right-of-use assets	178,395	182,916
Other investment	1,000	1,000
Goodwill on consolidation	8,927	8,927
Inventories	52,363	51,254
	<u>585,716</u>	<u>593,426</u>
Current assets		
Inventories	12,567	12,775
Trade and other receivables	2,516	4,611
Income tax recoverable	285	255
Deposits, bank and cash balances	5,490	6,090
	<u>20,858</u>	<u>23,731</u>
Asset held for sale	-	9,500
	<u>20,858</u>	<u>33,231</u>
TOTAL ASSETS	<u>606,574</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	329,585	333,675
(Accumulated losses)/Retained earnings	(17,970)	2,302
Total equity	<u>444,626</u>	<u>468,988</u>
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	82,930	83,876
Term loans	45,124	28,034
Lease liabilities	849	1,029
	<u>128,903</u>	<u>112,939</u>
Current liabilities		
Trade and other payables	18,584	23,785
Term loans	2,000	5,714
Lease liabilities	468	490
Bank overdraft	3,992	3,800
Income tax payable	8,001	10,941
	<u>33,045</u>	<u>44,730</u>
Total liabilities	<u>161,948</u>	<u>157,669</u>
TOTAL EQUITY AND LIABILITIES	<u>606,574</u>	<u>626,657</u>
Net assets per share (RM)	1.34	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

	9 months ended 30.9.2020 RM'000	9 months ended 30.9.2019 RM'000
Operating activities		
Loss before tax	(25,308)	(23,135)
Adjustments for:		
Non-cash items	13,426	8,842
Non-operating items	<u>2,885</u>	<u>2,438</u>
Operating cash before changes in working capital	(8,997)	(11,855)
Inventories	(4,984)	(6,182)
Receivables	2,095	23,530
Payables	(6,236)	(2,466)
Net income taxes (paid)/refund	<u>(2,970)</u>	<u>2,928</u>
Net cash (used in)/from operating activities	<u>(21,092)</u>	<u>5,955</u>
Investing activities		
Interest received	113	169
Proceeds from disposal of asset held for sale	9,000	280
Proceeds from disposal of property, plant and equipment	-	350
Purchase of property, plant and equipment	<u>(24)</u>	<u>(6,450)</u>
Net cash from/(used in) investing activities	<u>9,089</u>	<u>(5,651)</u>
Financing activities		
Drawdown of term loan	15,000	4,939
Fixed deposits pledged for banking facilities	(58)	(67)
Interest paid	(1,964)	(2,620)
Repayment of:		
- lease liabilities	(201)	(421)
- term loan	(1,624)	(5,352)
Purchase of treasury shares	<u>-</u>	<u>(2,028)</u>
Net cash from/(used in) financing activities	<u>11,153</u>	<u>(5,549)</u>
Net decrease in cash and cash equivalents	(850)	(5,245)
Cash and cash equivalents at beginning of period	(1,013)	5,400
Cash and cash equivalents at end of period	<u>(1,863)</u>	<u>155</u>
Cash and cash equivalents comprise:		
Cash and bank balances	5,490	7,163
Less : Bank overdraft	(3,992)	(3,723)
: Fixed deposits pledged	<u>(3,361)</u>	<u>(3,285)</u>
	<u>(1,863)</u>	<u>155</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	-	-	-	-	(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	<u>142,188</u>	<u>(9,177)</u>	<u>318,519</u>	<u>21,455</u>	<u>(18,408)</u>	<u>454,577</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	-	-	-	-	(24,362)	(24,362)
Realisation of asset revaluation reserve	-	-	(4,090)	-	4,090	-
At 30 September 2020	<u>142,188</u>	<u>(9,177)</u>	<u>308,130</u>	<u>21,455</u>	<u>(17,970)</u>	<u>444,626</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 third 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 third 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 third quarter of 2020.

7.) **Dividends Paid**

There were no payment of dividends in the third 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 9 months ended 30 September 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	2,034	787	7,260	17,111	-	-	-	-	-	-	9,294	17,898
Inter-segment	-	-	-	-	900	1,290	-	-	(900)	(1,290)	-	-
Total revenue	2,034	787	7,260	17,111	900	1,290	-	-	(900)	(1,290)	9,294	17,898
Results												
Segment loss	(14,367)	(12,359)	(5,252)	(2,358)	(2,804)	(4,064)	-	(1,916)	(2,885)	(2,438)	(25,308)	(23,135)
Segment assets	467,985	485,298	129,646	140,946	8,943	16,228	-	12,047	-	-	606,574	654,519
Segment liabilities	109,159	96,975	34,243	37,855	18,546	15,056	-	50,056	-	-	161,948	199,942

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

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

In the third 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 third quarter of 2020.

14.) **Significant Related Party Transactions**

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

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

I.) Review of Performance - 2020 Third Quarter (2020Q3) compared to 2019 Third Quarter (2019Q3)

	Individual quarter 3 months ended		Changes	
	30.9.2020 RM'000	30.9.2019 RM'000	RM'000	%
Revenue	3,109	6,295	(3,186)	(51%)
Loss before interest and tax	(8,506)	(5,578)	(2,928)	(52%)
Loss before tax	(9,477)	(6,476)	(3,001)	(46%)
Loss after tax	(8,698)	(6,371)	(2,327)	(37%)
Loss attributable to owners of the Company	(8,698)	(6,371)	(2,327)	(37%)

For the three months to 30 September 2020, the Group recorded revenue of RM3.1 million which is approximately 50% of the amount achieved in the same period last year. The operating performance reflected the continued impact of the covid-19 pandemic on the business of the hotel segment as international travel and conference and banquet events were largely restricted during the period, resulting in significant decline in sales from rooms and food & beverage services by 67% and 53% respectively. There was an increase of RM414,000 in income from the property investment segment by virtue of additional rent from a new tenant.

Net loss for the quarter expanded to RM8.7 million as compared to RM6.4 million loss in previous year same period due mainly to the effects of the writedown of property development cost of RM4.1 million which outweigh the saving in administrative expenses of RM2.1 million. The property development cost that was written down is pertaining to the sale of a piece of land on which the cost was incurred.

II.) Review of 2020 Third Quarter (2020Q3) against 2020 Second Quarter (2020Q2)

	Individual quarter 3 months ended		Changes	
	30.9.2020 RM'000	30.6.2020 RM'000	RM'000	%
Revenue	3,109	1,129	1,980	175%
Loss before interest and tax	(8,506)	(5,320)	(3,186)	(60%)
Loss before tax	(9,477)	(6,313)	(3,164)	(50%)
Loss after tax	(8,698)	(6,230)	(2,468)	(40%)
Loss attributable to owners of the Company	(8,698)	(6,230)	(2,468)	(40%)

The Group's revenue for the third quarter rebounded by 175% from the previous quarter to RM3.1 million on the partial recovery of business in the hotel segment following the scaling back of restrictions imposed under the movement control order by the government in June. The hotel segment saw a gradual uptick in demand for rooms and seminar events over the course of the third quarter resulting in a 4 times increase in revenue to RM2.4 million as opposed to RM0.6 million in the prior quarter. Nonetheless room occupancy and average room rate remained weak due to the total absence of foreign business and leisure travellers in the market.

Net loss widened to RM8.7 million in 2020Q3 from RM6.2 million loss in 2020Q2 due mainly to the effects of the writedown of property development cost amounted to RM4.1 million which outweigh the increase in operating profit of RM0.9 million from the hotel segment and the further reduction of RM0.5 million in administrative expenses.

III.) Prospects

As predicted previously, the recovery of business from the covid-19 pandemic is likely to go through stops and starts. The resurgence of new virus infection cases in October which led to renewed containment measures has dampened the prospect of a sustained recovery in economic activities, especially for the hotel and tourism industry. With the business recovery for the hotel segment possibly derailed by the virus resurgence, the Board expects a subdued earnings performance for the coming fourth quarter.

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

On 7 September 2020, the Board announced that a wholly owned subsidiary company, Christine Resort Sdn Bhd had entered into a conditional sale and purchase agreement for the disposal of a parcel of freehold land located within Bandar Seri Alam, Masai, Johor for a cash consideration of RM88,666,380 or reduced sale price of RM64,621,260.

This transaction is pending completion 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 third quarter of 2020.

VIII.) Loss from operations

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Loss from operations is stated after charging/(crediting):-				
Depreciation of property, plant and equipment	1,446	1,491	4,345	4,602
Depreciation of right-of-use assets	1,498	1,487	4,497	4,483
Gain from disposal of property, plant and equipment	-	(1)	-	(264)
Interest income	(15)	(40)	(113)	(169)
Loss from disposal of asset held for sale	500	21	500	21
Property development costs written off	4,083	-	4,083	-

IX.) Income Tax Expense

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Deferred tax relating to net surplus on revaluation of land and buildings	779	105	946	271

X.) Material Litigation

There were no material litigation as at the end of the third 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 September 2020 were :-

	Current RM'000	Non-current RM'000	Total borrowings RM'000
Secured			
- bank overdraft	3,992	-	3,992
- term loans	2,000	45,124	47,124
- lease liabilities	468	849	1,317
Total borrowings	<u>6,460</u>	<u>45,973</u>	<u>52,433</u>

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

	Current RM'000	Non-current RM'000	Total borrowings RM'000
Secured			
- bank overdraft	3,723	-	3,723
- term loans	10,535	29,388	39,923
- lease liabilities	482	1,073	1,555
Total borrowings	<u>14,740</u>	<u>30,461</u>	<u>45,201</u>

XIII.) Dividends

The Board of Directors did not recommend or paid any dividend for the third 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		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
Loss net of tax attributable to owners of the Company (RM'000)	<u>(8,698)</u>	<u>(6,371)</u>	<u>(24,362)</u>	<u>(22,864)</u>
Weighted average number of shares ('000)	<u>332,421</u>	<u>333,329</u>	<u>332,421</u>	<u>333,329</u>
Basic and diluted loss per share (sen)	<u>(2.62)</u>	<u>(1.91)</u>	<u>(7.33)</u>	<u>(6.86)</u>