

**NOTES TO THE QUARTERLY FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2016**

1. Basis of Preparation

The condensed financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”)134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2015.

2. Significant Accounting Policies

The significant accounting policies adopted by the Group in this interim financial statements are consistent with those of the last audited financial statements for the financial year ended 31 December 2015, except for the newly issued Malaysian Accounting Standards Board approved accounting framework – Malaysian Financial Reporting Standards (“MFRS”), Amendments to standards and IC Interpretations (“IC Int.”) to be applied by all Entities Other Than Private Entities for the financial periods beginning on or after 1 January 2016:

MFRS 9	Financial Instruments
MFRS 15	Revenue From Contracts With Customers
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying The Consolidation Exception
Amendments to MFRS 101	Presentation Of Financial Statements: Disclosure Initiative
Amendments to MFRS 116 And MFRS 138	Clarification Of Acceptable Methods Of Depreciation And Amortisation
Amendments to MFRS 127	Equity Method In Separate Financial Statements
Annual Improvements 2012-2014 Cycle	
Amendments to MFRS 5	Non-current Assets Held For Sale And Discontinued Operations
Amendments to MFRS 7	Financial Instruments Disclosures
Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions
Amendments to MFRS 134	Interim Financial Reporting

The adoption of the above did not have any significant effects on the interim financial report upon their initial application except for MFRS 9 and MFRS 15. The Group is currently assessing the financial impact of adopting MFRS 9 and MFRS 15.

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3. Audit Qualification Report

The preceding financial statements for the year ended 31 December 2015 were report on without any qualification.

4. Seasonal or cyclical factors

The principal business operations of the Group has historically shown moderate seasonality, where production and sales of furniture are generally lower in the beginning of the calendar year due to the festive period as well as the summer holiday in the middle of the year.

5. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows for the financial period ended 31 March 2016.

6. Changes in estimates

There is no significant change in estimates of amounts reported in prior interim periods of the current or previous financial year.

7. Debts and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt or equity securities for the financial period ended 31 March 2016.

8. Dividend Paid

The dividend paid during the financial period was as follows: -

Type of dividend	Dividend per share	For the year ended	Amount RM	Entitlement date	Payment date
Special single tier	6.0% (*)	31.12.2015	10,800,000	11.03.2016	25.03.2016

(*) Based on the enlarged issued and paid up share capital of 179,999,988

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9. Segmental Reporting

The Group has the following reportable segments as shown below: -

2016	Furniture Manufacturing		Plantation		Other		Group	
	1 st Quarter RM'000	YTD RM'000	1 st Quarter RM'000	YTD RM'000	1 st Quarter RM'000	YTD RM'000	1 st Quarter RM'000	YTD RM'000
Revenue								
Total revenue	166,724	166,724	-	-	11,563	11,563	178,287	178,287
Inter-segment revenue	(1,330)	(1,330)	-	-	(11,563)	(11,563)	(12,893)	(12,893)
Revenue from external customers	165,394	165,394	-	-	-	-	165,394	165,394
Interest income	367	367	-	-	163	163	530	530
Finance costs	(303)	(303)	-	-	-	-	(303)	(303)
Net finance income	63	63	-	-	163	163	227	227
Depreciation of property, plant and equipment	1,621	1,621	26	26	-	-	1,647	1,647
Amortisation of intangible asset	-	-	5	5	-	-	5	5
Segment profit/(loss) before tax	27,786	27,786	(73)	(73)	74	74	27,787	27,787
Additions to non-current assets	2,744	2,744	326	326	-	-	3,070	3,070
Segment assets	309,528	309,528	5,626	5,626	29,861	29,861	345,015	345,015
Segment liabilities	104,361	104,361	319	319	36	36	104,715	104,715

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9. The Group has the following reportable segments as shown below: -

2015	Furniture Manufacturing		Plantation		Other		Group	
	1 st Quarter RM'000	YTD RM'000	1 st Quarter RM'000	YTD RM'000	1 st Quarter RM'000	YTD RM'000	1 st Quarter RM'000	YTD RM'000
Revenue								
Total revenue	114,014	114,014	-	-	2,100	2,100	116,114	116,114
Inter-segment revenue	(1,932)	(1,932)	-	-	(2,100)	(2,100)	(4,032)	(4,032)
Revenue from external customers	112,082	112,082	-	-	-	-	112,082	112,082
Interest income	193	193	17	17	-	-	210	210
Finance costs	(281)	(281)	-	-	-	-	(281)	(281)
Net finance costs	(88)	(88)	17	17	-	-	(72)	(72)
Depreciation of property, plant and equipment	1,697	1,697	5	5	-	-	1,702	1,702
Amortisation pf intangible asset	-	-	-	-	-	-	-	-
Segment profit/(loss) before tax	13,952	13,952	(11)	(11)	(71)	(71)	13,870	13,870
Additions to non-current assets	3,065	3,065	1,772	1,772	-	-	4,837	4,837
Segment assets	270,304	270,304	9,957	9,957	85	85	280,346	280,346
Segment liabilities	80,013	80,013	419	419	616	616	81,048	81,048

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9. The analysis of the furniture manufacturing segment can be furthered analyse into geographical segment: -

	Current Quarter		Year to Date	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Africa	558	344	558	344
America	128,550	86,776	128,550	86,770
Asia	23,498	18,630	23,498	18,630
Australia	159	121	159	121
Europe	152	215	215	215
Malaysia	12,477	5,996	12,477	5,996
	165,394	112,082	165,394	112,082

10. Valuation of property, plant and equipment

The properties which were revalued on 2014 have been brought forward from the previous financial statements and there were no valuations of properties, plant and equipment for period ended 31 March 2016.

11. Material events subsequent to the end of the period

There were no material events subsequent to 31 March 2016.

12. Changes in the composition of the Group

There were no changes in the composition of the Company for the period ended 31 March 2016 except for the newly incorporated 60% owned subsidiary company, LSG Furniture Sdn Bhd on 27 January 2016.

13. Changes in contingent liabilities

As at the date of this report, the Group has contingent liabilities as follows:-

	RM'000
Counter indemnities to banks for bank guarantees issued	
- secured	8,184
- unsecured	-
Corporate guarantees for credit facilities granted to subsidiary companies (unsecured)	133,928

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14. Capital Commitments

The outstanding capital commitment in the interim financial statements as at 31 March 2016 in respect of the purchase of factory building: -

Authorised and contracted for	RM'000 5,040
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15. Significant Related Party Transactions

Subsidiaries	Transacting Parties	Relationship	Nature of Transactions	Current quarter ended 31.03.16	Cumulative Quarter ended 31.03.16
Lii Hen Furniture Sdn Bhd	Domain Partners Sdn Bhd	A company in which Chua Lee Seng, Tok Heng Leong, Tan Bee Eng and Chua Yong Haup have interest	Renting of buildings	RM234,964	RM234,964
Favourite Design Sdn Bhd	Domain Partners Sdn Bhd	A company in which Chua Lee Seng, Tok Heng Leong, Tan Bee Eng and Chua Yong Haup have interest	Renting of buildings	RM331,416	RM331,416
Favourite Design Sdn Bhd	Double Soon Huat Enterprise	A company in which Chua Yong Haup is a connected person.	Provide subcontract charges	RM462,206	RM462,206
Favourite Design Sdn Bhd	NNST Capital Sdn Bhd	A company in which Tan Bee Eng has interest	Renting of building	RM58,980	RM58,980
Mayteck Kilang Kayu dan Perabut Sdn Bhd	T- Home Furniture Industry Sdn Bhd	A company in which Joey Tok Siew Tin has interest	Selling of furniture parts	RM57,653	RM57,653

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ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS

16. Review of performance

The Group performance for the quarter under review against the corresponding quarter of the previous financial year is tabled below: -

Description	1st Qtr 2016 RM'000	1st Qtr 2015 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	165,394	112,082	53,311	48%
Profit before tax	27,787	13,870	13,917	100%

The first quarter of Group's revenue for 2016 registered at RM165 million, rose 48% as compared to the corresponding quarter of last year. The increases were mainly contributed from the increased in orders of the Group's products by 27% and the strengthening of the US Dollar against RM. The average USD in the current quarter was at 4.20 as compared to 2015 of 3.55, appreciated by 18%.

Due to higher revenue and better USD conversion rate, the Group's profit before tax for the current quarter recorded at RM27.8 million, increased 100% as compared to the profit before tax of RM13.9 million in the previous corresponding quarter.

17. Variation of Results Against Preceding Quarter

Description	1 st Qtr 2016 RM'000	4th Qtr 2015 RM'000	Increase/ (Decrease)	
			RM'000	%
Revenue	165,394	152,216	13,178	8.7%
Profit before tax	27,787	21,734	6,053	27%

Revenue in term of US dollar for the sales of furniture in the current quarter recorded an increase of 10% as compared to the immediate preceding quarter. However, the US Dollar against RM was depreciated slightly by 1.6% in the current quarter.

The increase in profit before tax in current quarter compared to 4th quarter 2015 were due to higher revenue generated in current quarter and higher year-end provisions for bonuses & incentives and impairment loss in 4th quarter 2015 of approximately RM8 million.

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18. Current year prospects

US economic growth braked sharply in the first quarter to its slowest pace in two years as consumer spending softened and a strong dollar continued to undercut exports, but a pick up activity is anticipated given a buoyant labour market.

The main challenges that the Group faced is at the local front where the acceleration of production costs and shortages of workforce will continue to affect the Group's financial performance. In view of that, the management will continue to focus on the Group's core products by diversifying its product range to strengthen the market position and expand the customer base and simultaneously continue to adopt an effective cost management. With better controllable cost structure and wider sales market base, the Group is committed to deliver a favourable result for year 2016.

19. Profit forecast

There was no profit forecast issued for the quarter under review.

20. Taxation

Taxation charged for the quarter and year to date comprise of: -

	Current Quarter RM'000	Year to Date RM'000
Current taxation		
- provision for the period	6,862	6,862
- over provision of prior years	-	-
- deferred taxation	<u>(99)</u>	<u>(99)</u>
	<u>6,763</u>	<u>6,763</u>

21. Group Borrowings and Debt Securities

The Group's borrowings as at 31 March 2016 were as follows: -

	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
Short Term	25,422	-	25,422
Long Term	<u>6,423</u>	-	<u>6,423</u>
	<u>31,845</u>	-	<u>31,845</u>

All borrowings are denominated in Ringgit Malaysia.

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22. Financial Instruments - derivatives

As at 31 March 2016, the foreign currency contracts which have been entered into by the Group to hedge its foreign currency sales are as follows: -

Forward Foreign Currency Contracts	Contract Value(RM'000)	Fair Value(RM'000)	Changes in Fair Value(RM'000)
US Dollar – less than 1 year	25,816	24,316	1,500

Derivative financial assets and liabilities are initially recognised, and subsequently measured at fair value. The fair values of derivatives are determined based on market data (primarily exchange rate) to calculate the present value of all estimated flows associated with each derivative at the balance sheet date. The Group's derivatives are principally in respect of forward foreign currency contracts used to hedge its foreign currency sales.

Forward foreign currency contracts of the Group have been measured at fair value and the changes in the fair value are recognised in profit or loss.

23. Other Operating Income/(expenses)

Other operating income/(expenses) comprises the followings: -

	Current Quarter 31 March		Year to Date 31 March	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Foreign exchange gain/(loss)				
-realised	(5,009)	2,910	(5,009)	2,910
-unrealised	(2,165)	576	(2,165)	576
Gain/(loss) on disposal of property, plant & equipment	45	6	45	6
Interest income	530	210	530	210
Fair value gain/(loss) on derivative Financial instruments	1,494	(119)	1,494	(119)
Rental income	99	192	99	192
Sundry revenue	103	118	103	118
	(4,904)	3,893	(4,904)	3,893

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24. Operating Expenses

The operating expenses included the following charges: -

	Current Quarter 31 March		Year to Date 31 March	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Depreciation & amortisation	1,652	1,702	1,652	1,702
Interest expenses	303	282	303	282
Property, plant & equipment written off	3	-	3	-

25. Realised and Unrealised Profits

	Current financial period ended 31/03/2016 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	124,519
- Unrealised	(3,692)

Total group retained profits as per consolidated accounts	120,827
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26. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 31 March 2016.

27. Material Litigations

The Group is not engaged in any material litigation as at the date of this announcement.

28. Dividends

The first single tier dividend of 8% totalling RM7.20 million in respect of the financial year ending 31 December 2016 is declared for the period ended 31 March 2016, payable on 28 June 2016 to depositors registered in the Records of Depositors at close of business on 14 June 2016.

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29. Basic Earning per Share

	Current Quarter 31 March		Year to Date 31 March	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit attributable to shareholders	21,024	10,744	21,024	10,744
Weighted average number of shares	180,000	180,000	180,000	180,000
Basic Earning per Share (sen)	11.68	5.97 *	11.68	5.97*

* Adjusted for bonus and share split involving one Bonus Share for every two existing LHIB Shares and subdivision of every one LHIB Share into two ordinary shares of RM0.50 each in LHIB.

30. Authorisation for issue

The interim financial statements and the accompanying notes with authorised for issue by the Board of Directors in accordance with a resolution of the directors passed on 20 May 2016.

For and on behalf of the Board
Lii Hen Industries Bhd.

Tan Wang Giap, MACS 00523
Secretary