

**LII HEN INDUSTRIES BHD ( 301361-U)**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017**

ASSETS	Note	AS AT END OF CURRENT QUARTER 31/03/2017 RM'000 UNAUDITED	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2016 RM'000 AUDITED
<b>Non-current assets</b>			
Property, plant and equipment	10	122,458	122,035
Investment property		-	-
Prepaid lease payment		-	-
Long Term Investments		-	-
Goodwill on consolidation		-	-
Intangible Assets		518	523
Biological Assets		4,029	3,938
		<u>127,005</u>	<u>126,496</u>
<b>Current assets</b>			
Inventories		59,823	63,007
Trade receivables		49,655	50,259
Other receivables		13,687	13,173
Tax assets		602	1,301
Short term investment		-	-
Derivatives financial instruments at fair value	22	-	-
Fixed deposits with licensed banks		49,500	71,317
Cash and Bank Balances		81,373	62,677
		<u>254,640</u>	<u>261,734</u>
<b>TOTAL ASSETS</b>		<u>381,645</u>	<u>388,230</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Parent:</b>			
Share Capital		90,000	90,000
Reserves		178,143	174,024
		<u>268,143</u>	<u>264,024</u>
Non-controlling interest		107	107
<b>TOTAL EQUITY</b>		<u>268,250</u>	<u>264,131</u>
<b>Non-current liabilities</b>			
Borrowings	21	4,280	4,735
Deferred taxation		11,153	11,332
		<u>15,433</u>	<u>16,067</u>
<b>Current Liabilities</b>			
Payables		68,194	68,257
Derivatives financial instruments at fair value	22	-	2,650
Dividend payables	28	-	-
Short term borrowings	21	24,416	32,564
Provision for Taxation		5,352	4,561
		<u>97,962</u>	<u>108,032</u>
<b>TOTAL LIABILITIES</b>		113,395	124,099
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>381,645</u>	<u>388,230</u>

( The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31st December 2016 )

## LII HEN INDUSTRIES BHD ( 301361-U)

The Board of Directors is pleased to announce the following :  
**UNAUDITED RESULTS OF THE GROUP FOR 1ST QUARTER ENDED 31 MARCH 2017**

### CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2017

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		31.03.2017 RM'000	31.03.2016 RM'000	31.03.2017 RM'000	31.03.2016 RM'000
<b>Revenue</b>	9	173,022	165,394	173,022	165,394
Cost of sales		(128,825)	(118,948)	(128,825)	(118,948)
<b>Gross Profit</b>		44,197	46,446	44,197	46,446
Other operating income/(expenses)	23	(39)	(4,904)	(39)	(4,904)
Operating expenses	24	(15,031)	(13,452)	(15,031)	(13,452)
<b>Profit from operations</b>		29,127	28,090	29,127	28,090
Finance costs		(198)	(303)	(198)	(303)
<b>Profit before taxation</b>		28,929	27,787	28,929	27,787
Taxation	20	(6,810)	(6,763)	(6,810)	(6,763)
<b>Profit for the period</b>		22,119	21,024	22,119	21,024
<b>Other comprehensive income for the period, net of tax item that will not be reclassified subsequently to profit and loss</b>					
Revaluation surplus of property, plant and equipment		-	-	-	-
<b>Total comprehensive income for the period</b>		22,119	21,024	22,119	21,024
<b>Profit attributable to :-</b>					
Owners of the Parent		22,119	21,024	22,119	21,024
Non-controlling Interest		-	-	-	-
		22,119	21,024	22,119	21,024
<b>Total comprehensive income attributable to :</b>					
Owners of the Parent		22,119	21,024	22,119	21,024
Non-controlling Interest		-	-	-	-
		22,119	21,024	22,119	21,024
<b>Earning per share attributable to owners of the Parent (sen)</b>					
Basic	29	12.29	11.68	12.29	11.68
Diluted		-	-	-	-
		12.29	11.68	12.29	11.68

( The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31st December 2016 )

**LII HEN INDUSTRIES BHD ( 301361-U)**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED 31 MARCH 2017**

	-----Attributable to owners of the Parent -----			Total RM'000	Non Controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Non distributable Revaluation Reserve RM'000	Distributable Retained Profit RM'000			
Balance as at 1 January 2017	90,000	29,042	144,982	264,024	107	264,131
Total comprehensive income for the period			22,119	22,119		22,119
Dividend paid			(18,000)	(18,000)		(18,000)
Balance as at 31 Mar 2017	<u>90,000</u>	<u>29,042</u>	<u>149,101</u>	<u>268,143</u>	<u>107</u>	<u>268,250</u>
Balance as at 1 January 2016	90,000	29,625	110,603	230,228	(352)	229,876
Total comprehensive income for the period			21,024	21,024		21,024
Dividend paid			(10,800)	(10,800)	-	(10,800)
Acquisition of subsidiary company					200	200
Balance as at 31 Mar 2016	<u>90,000</u>	<u>29,625</u>	<u>120,827</u>	<u>240,452</u>	<u>(152)</u>	<u>240,300</u>

( The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2016 )

**LII HEN INDUSTRIES BHD ( 301361-U)**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR PERIOD ENDED 31 MARCH 2017**

	Ended 31.03.2017 RM'000	Ended 31.03.2016 RM'000
<b>Cash Flow From Operating Activities</b>		
Profit before Taxation	28,929	27,787
Adjustments for :-		
Depreciation	1,835	1,647
Amortisation of intangible assets	5	5
Interest expenses	198	303
Interest income	(757)	(530)
(Gain)/Loss on disposal of property, plant and equipment	(10)	(44)
Unrealised foreign exchange loss/(gain)	180	2,165
Net fair value loss/(gain) on financial instruments measured at fair value	-	(1,494)
Operating profit before working capital changes	<u>30,380</u>	<u>29,839</u>
(Increase)/decrease in inventories	3,184	6,888
(Increase) in receivables	(90)	(18,964)
Increase in payables	(63)	(7,763)
Cash (used in)/generated from operations	<u>33,411</u>	<u>10,000</u>
Interest paid	(198)	(303)
Income tax refund	150	-
Tax paid	(5,650)	(4,612)
Realisation of derivative financial instruments	(2,649)	115
Net cash (used in)/from operating activities	<u>25,064</u>	<u>5,200</u>
<b>Cash Flow From Investing Activities</b>		
Purchase of property, plant and equipment	(2,268)	(2,908)
Biological assets	(91)	(162)
Proceeds from issue of equity from non-controlling interest	-	200
Proceeds from disposal of property, plant and equipment	19	45
Interest income	757	530
Net cash used in investing activities	<u>(1,583)</u>	<u>(2,295)</u>
<b>Cash Flow From Financing Activities</b>		
Banker Acceptances	(4,723)	4,651
Repayment of term loans	(568)	(664)
Dividend paid	(18,000)	(10,800)
Net cash from/(used in) financing activities	<u>(23,291)</u>	<u>(6,813)</u>
Net changes in Cash and Cash Equivalents	<u>190</u>	<u>(3,908)</u>
Cash and Cash Equivalents Brought Forward	124,983	111,814
Cash and Cash Equivalents Carried Forward	<u><u>125,173</u></u>	<u><u>107,906</u></u>
Cash and cash equivalents carried forward consists of :-		
Cash and bank balances	128,204	111,190
Bank overdraft	(3,031)	(3,284)
	<u><u>125,173</u></u>	<u><u>107,906</u></u>

( The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 December 2016 )

**NOTES TO THE QUARTERLY FINANCIAL REPORT  
FOR THE PERIOD ENDED 31 MARCH 2017**

**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 2016. 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 2016.

**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 2016, 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 2017:

MFRS 9	Financial Instruments (IFRS 9 As Issued By IASB in July 2014)
MFRS 15	Revenue From Contracts With Customers
MFRS 15	Clarifications to MFRS 15
MFRS 16	Leases
Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition Of Deferred Tax Assets For Unrealised Losses
IC Interpretation 22	Foreign Currency Transactions And Advance Consideration

The adoption of the above is not expected to have any significant effects on the interim financial report upon their initial application except for MFRS 9 MFRS 15 and MFRS 16. The Group is currently assessing the financial impact of adopting MFRS 9 MFRS 15 and MFRS 16.

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### 3 Audit Qualification Report

The preceding financial statements for the year ended 31 December 2016 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 2017.

### 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 2017.

### 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	10.0%	31.12.2016	18,000,000	10.03.2017	24.03.2017

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### 9. Segmental Reporting

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

2015	Furniture Manufacturing		Plantation		Other		Group	
	1st Quarter RM'000	YTD RM'000	1st Quarter RM'000	YTD RM'000	1st Quarter RM'000	YTD RM'000	1st Quarter RM'000	YTD RM'000
<b>Revenue</b>								
Total revenue	173,374	173,374	-	-	25,200	25,200	198,574	198,574
Inter-segment revenue	(352)	(352)	-	-	(25,200)	(25,200)	(25,552)	(25,552)
<b>Revenue from external customers</b>	<b>173,022</b>	<b>173,022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>173,022</b>	<b>173,022</b>
Interest income	610	610	-	-	147	147	757	757
Finance costs	(198)	(198)	-	-	-	-	(198)	(198)
Net finance income	412	412	-	-	147	147	559	559
Depreciation of property, plant and equipment	1,804	1,804	32	32	4	4	1,840	1,840
Amortisation of intangible asset	-	-	5	5	-	-	5	5
Segment profit/(loss) before tax	29,012	29,012	(56)	(56)	(27)	(27)	28,929	28,929
Additions to non-current assets	2,268	2,268	91	91	-	-	2,359	2,359
Segment assets		341,649		6,257		33,739		381,645
Segment liabilities		113,145		159		91		113,395

## LII HEN INDUSTRIES BHD (301361-U)

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

2016	Furniture Manufacturing		Plantation		Other		Group	
	1st Quarter RM'000	YTD RM'000	1st Quarter RM'000	YTD RM'000	1st Quarter RM'000	YTD RM'000	1st Quarter RM'000	YTD RM'000
<b>Revenue</b>								
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)
<b>Revenue from external customers</b>	<b>165,394</b>	<b>165,394</b>	-	-	-	-	<b>165,394</b>	<b>165,394</b>
Interest income	367	367	-	-	163	163	530	530
Finance costs	(303)	(303)	-	-	-	-	(303)	(303)
Net finance costs	64	64	-	-	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		5,626		29,861		345,015
Segment liabilities		104,361		319		36		104,716



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

	Current Quarter		Year to Date	
	31 Mar		31 Mar	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Africa	542	558	542	558
America	133,506	128,550	133,506	128,550
Asia	19,050	23,498	19,050	23,498
Australia	508	159	508	159
Europe	316	152	316	152
Malaysia	19,100	12,477	19,100	12,477
	173,022	165,394	173,022	165,394

### 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 2017.

### 11. Material events subsequent to the end of the period

There were no material events subsequent to 31 March 2017.

### 12. Changes in the composition of the Group

There were no changes in the composition of the Company for the period ended 31 March 2017.

### 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	9,373
- unsecured	-
Corporate guarantees for credit facilities granted to subsidiary companies ( unsecured )	135,578

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### 14. Capital Commitments

There is no capital commitment incurred in the interim financial report as at 31 March 2017.

### 15. Significant Related Party Transactions

Subsidiaries	Transacting Parties	Relationship	Nature of Transactions	Current quarter ended 31.03.17	Cumulative Quarter ended 31.03.17
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	RM413,223	RM413,223
Favourite Design Sdn Bhd	Double Soon Huat Enterprise	A company in which Chua Yong Haup is a connected person.	Provide subcontract charges	RM437,444	RM437,444
Favourite Design Sdn Bhd	NNST Capital Sdn Bhd	A company in which Tan Bee Eng has interest	Renting of building	RM62,910	RM246,400
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	RM96,344	RM96,344

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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 2017 RM'000	1st Qtr 2016 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	173,022	165,394	7,628	4.6%
Profit before tax	28,929	27,787	1,142	4.1%

The Group's revenue for the first quarter of 2017 grew 4.6% compared to the corresponding quarter of last year. The revenue for first quarter of 2017 in real term was constant compared to corresponding quarter of 2016 whereas the average USD conversion rate for current quarter was at the Group favour (2017:4.44), appreciated 5.7% as compared to corresponding quarter of last year (2016:4.20).

In the current quarter the cost of raw materials and labour had accelerated resultant in the lower profit margin as compared to corresponding quarter. However the lower foreign exchange differences in 1<sup>st</sup> quarter 2017 as disclosed in Note 23 of the explanatory notes had improved the Group's profit before tax from RM27.8 million in 1<sup>st</sup> quarter 2016 to RM28.9 million of the current quarter.

#### 17 Variation of Results Against Preceding Quarter

Description	1 <sup>st</sup> Qtr 2017 RM'000	4th Qtr 2016 RM'000	Increase/ (Decrease)	
			RM'000	%
Revenue	173,022	168,506	4,516	2.7%
Profit before tax	28,929	22,216	6,713	30.2%

Revenue in the current quarter remained relatively constant as compared to the immediate preceding quarter except for the USD conversion rate appreciated further by 2.78% (1<sup>st</sup>Qtr 2017: 4.44; 4<sup>th</sup>Qtr 2016:4.32).

The profit before tax for the current quarter under review recorded at RM28.9 million, increased 30.2% compared to the immediate preceding quarter was mainly due to higher year end provision for bonuses and incentive in the 4<sup>th</sup> quarter of 2016.

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### 18. Current year prospects

The Group's main market, US's job growth rebounded sharply in April and the unemployment rate dropped to 4.4%, near a 10 year low. The economic activities should improve supported by the healthy labour market and this might justifies an interest rate increase next month.

However, the main challenge that the Group faces 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 2017.

### 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	6,989	6,989
- over provision of prior years	-	-
- deferred taxation	<u>(179)</u>	<u>(179)</u>
	<u>6,810</u>	<u>6,810</u>

### 21. Group Borrowings and Debt Securities

The Group's borrowings as at 31 March 2017 were as follows: -

	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
Short Term	24,416	-	24,416
Long Term	<u>4,280</u>	-	<u>4,280</u>
	<u>28,696</u>	-	<u>28,696</u>

All borrowings are denominated in Ringgit Malaysia.

## LII HEN INDUSTRIES BHD (301361-U)

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### 22. Financial Instruments - derivatives

As at 31 March 2017, 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	Nil	Nil	Nil

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 Mar		Year to Date 31 Mar	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Foreign exchange gain/(loss)				
-realised	(781)	(5,009)	(781)	(5,009)
-unrealised	(180)	(2,165)	(180)	(2,165)
Gain/(loss) on disposal of property, plant & equipment	10	45	10	45
Interest income	757	530	757	530
Fair value gain/(loss) on derivative Financial instruments	-	1,494	-	1,494
Rental income	102	98	102	98
Sundry revenue	53	103	53	103
	(39)	(4,904)	(39)	(4,904)

## LII HEN INDUSTRIES BHD (301361-U)

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### 24. Operating Expenses

The operating expenses included the following charges: -

	Current Quarter 31Mar		Year to Date 31 Mar	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Depreciation & amortisation	1,845	1,652	1,845	1,652
Interest expenses	198	303	198	303
Property, plant & equipment written off	-	-	-	-

### 25. Realised and Unrealised Profits

	Current financial period ended 31/03/2017 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	152,366
- Unrealised	(3,265)
	-----
Total group retained profits as per consolidated accounts	149,101
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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 2017.

### 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 4 sen totalling RM7.2 million in respect of the financial year ending 31 December 2017 is declared for the period ended 31 March 2017, payable on 29 June 2017 to depositors registered in the Records of Depositors at close of business on 15 June 2017.

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### 29. Basic Earning per Share

	Current Quarter 31 Mar		Year to Date 31 Mar	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit attributable to shareholders	22,119	21,024	22,119	21,024
Weighted average number of shares	180,000	180,000	180,000	180,000
Basic Earning per Share (sen)	12.29	11.68	12.29	11.68

### 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 23 May 2017.

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

Tan Wang Giap, MACS 00523  
Secretary