

LII HEN INDUSTRIES BHD (301361-U)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

ASSETS	Note	AS AT END OF CURRENT QUARTER 30/06/2017 RM'000 UNAUDITED	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2016 RM'000 AUDITED
Non-current assets			
Property, plant and equipment	10	125,307	122,035
Investment property		-	-
Prepaid lease payment		-	-
Long Term Investments		-	-
Goodwill on consolidation		-	-
Intangible Assets		513	523
Biological Assets		3,014	3,938
		<u>128,834</u>	<u>126,496</u>
Current assets			
Inventories		72,065	63,007
Trade receivables		53,738	50,259
Other receivables		16,032	13,173
Tax assets		157	1,301
Short term investment		-	-
Derivatives financial instruments at fair value	23	-	-
Fixed deposits with licensed banks		66,171	71,317
Cash and Bank Balances		65,650	62,677
		<u>273,813</u>	<u>261,734</u>
TOTAL ASSETS		<u>402,647</u>	<u>388,230</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent:			
Share Capital		90,000	90,000
Reserves		187,564	174,024
		<u>277,564</u>	<u>264,024</u>
Non-controlling interest		107	107
TOTAL EQUITY		<u>277,671</u>	<u>264,131</u>
Non-current liabilities			
Borrowings	22	3,870	4,735
Deferred taxation		11,150	11,332
		<u>15,020</u>	<u>16,067</u>
Current Liabilities			
Payables		72,702	68,257
Derivatives financial instruments at fair value	23	131	2,650
Dividend payables	29	-	-
Short term borrowings	22	31,149	32,564
Provision for Taxation		5,974	4,561
		<u>109,956</u>	<u>108,032</u>
TOTAL LIABILITIES		<u>124,976</u>	<u>124,099</u>
TOTAL EQUITY AND LIABILITIES		<u>402,647</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 2ND QUARTER ENDED 30 JUNE 2017

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2017

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30.06.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.06.2016 RM'000	CURRENT YEAR TO DATE 30.06.2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30.06.2016 RM'000
Revenue	9	169,608	144,510	342,631	309,903
Cost of sales		(131,186)	(113,552)	(260,012)	(232,431)
Gross Profit		38,422	30,958	82,619	77,472
Other operating income/(expenses)	24	(1,639)	3,814	(1,678)	(1,090)
Operating expenses	25	(14,469)	(12,248)	(29,500)	(25,700)
Profit from operations		22,314	22,524	51,441	50,682
Finance costs		(268)	(276)	(466)	(579)
Profit before taxation		22,046	22,248	50,975	50,103
Taxation	20	(5,426)	(5,229)	(12,235)	(11,992)
Profit for the period		16,620	17,019	38,740	38,111
Other comprehensive income for the period, net of tax item that will not be reclassified subsequently to profit and loss					
Revaluation surplus of property, plant and equipment		-	-	-	-
Total comprehensive income for the period		16,620	17,019	38,740	38,111
Profit attributable to :-					
Owners of the Parent		16,620	17,019	38,740	38,111
Non-controlling Interest		-	-	-	-
		16,620	17,019	38,740	38,111
Total comprehensive income attributable to :					
Owners of the Parent		16,620	17,019	38,740	38,111
Non-controlling Interest		-	-	-	-
		16,620	17,019	38,740	38,111
Earning per share attributable to owners of the Parent (sen)					
Basic	30	9.23	9.46	21.52	21.17
Diluted		-	-	-	-
		9.23	9.46	21.52	21.17

(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 30 JUNE 2017**

	-----Attributable to owners of the Parent -----				Non Controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Non distributable Revaluation Reserve RM'000	Distributable Retained Profit RM'000	Total 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			38,740	38,740		38,740
Dividend paid			(25,200)	(25,200)		(25,200)
Balance as at 30 June 2017	<u>90,000</u>	<u>29,042</u>	<u>158,522</u>	<u>277,564</u>	<u>107</u>	<u>277,671</u>
Balance as at 1 January 2016	90,000	29,625	110,603	230,228	(352)	229,876
Total comprehensive income for the period			38,111	38,111		38,111
Dividend paid			(25,200)	(25,200)		(25,200)
Acquisition of subsidiary company					200	200
Balance as at 30 June 2016	<u>90,000</u>	<u>29,625</u>	<u>123,514</u>	<u>243,139</u>	<u>(152)</u>	<u>242,987</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)

LII HEN INDUSTRIES BHD (301361-U)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR PERIOD ENDED 30 JUNE 2017

	Ended 30.06.2017 RM'000	Ended 30.06.2016 RM'000
Cash Flow From Operating Activities		
Profit before Taxation	50,975	50,103
Adjustments for :-		
Depreciation	3,736	3,343
Amortisation of intangible assets	9	9
Interest expenses	466	579
Interest income	(1,437)	(1,260)
Fixed assets written off	-	2
Biological asset written off	1,196	-
(Gain)/Loss on disposal of property, plant and equipment	(60)	(64)
Unrealised foreign exchange loss/(gain)	(127)	777
Net fair value loss/(gain) on financial instruments measured at fair value	131	(765)
Operating profit before working capital changes	<u>54,889</u>	<u>52,724</u>
(Increase)/decrease in inventories	(9,057)	1,373
(Increase) in receivables	(6,211)	(11,712)
Increase/(decrease) in payables	4,446	(2,937)
Cash (used in)/generated from operations	<u>44,067</u>	<u>39,448</u>
Interest paid	(466)	(579)
Income tax refund	150	289
Tax paid	(10,011)	(7,640)
Realisation of derivative financial instruments	(2,650)	115
Net cash (used in)/from operating activities	<u>31,090</u>	<u>31,633</u>
Cash Flow From Investing Activities		
Purchase of property,plant and equipment	(7,018)	(11,147)
Biological assets	(272)	(281)
Proceeds from issue of equity from non-controlling interest	-	200
Proceeds from disposal of property, plant and equipment	69	65
Interest income	1,437	1,260
Net cash used in investing activities	<u>(5,784)</u>	<u>(9,903)</u>
Cash Flow From Financing Activities		
Banker Acceptances	(986)	4,006
Repayment of term loans	(1,139)	(1,230)
Dividend paid	(25,200)	(18,000)
Net cash from/(used in) financing activities	<u>(27,325)</u>	<u>(15,224)</u>
Net changes in Cash and Cash Equivalents	<u>(2,019)</u>	<u>6,506</u>
Cash and Cash Equivalents Brought Forward	124,983	111,814
Cash and Cash Equivalents Carried Forward	<u><u>122,964</u></u>	<u><u>118,320</u></u>
Cash and cash equivalents carried forward consists of :-		
Cash and bank balances	129,152	121,025
Bank overdraft	(6,188)	(2,705)
	<u><u>122,964</u></u>	<u><u>118,320</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 30 JUNE 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 30 June 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 30 June 2017.

8. Dividend Paid

The dividends paid during the financial period were 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
1 st interim single tier	4.0%	31.12.2017	7,200,000	15.06.2017	29.06.2017

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9. Segmental Reporting

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

2017	Furniture Manufacturing		Plantation		Other		Group	
	2nd Quarter RM'000	YTD RM'000	2nd Quarter RM'000	YTD RM'000	2nd Quarter RM'000	YTD RM'000	2nd Quarter RM'000	YTD RM'000
Revenue								
Total revenue	169,991	343,365	-	-	7,200	32,400	177,191	375,765
Inter-segment revenue	(383)	(734)	-	-	(7,200)	(32,400)	(7,583)	(33,134)
Revenue from external customers	169,608	342,631	-	-	-	-	169,608	342,631
Interest income	486	1,096	-	-	194	341	680	1,437
Finance costs	(268)	(466)	-	-	-	-	(268)	(466)
Net finance income	218	630	-	-	194	341	412	971
Depreciation of property, plant and equipment	1,875	3,683	26	53	-	-	1,901	3,736
Amortisation of intangible asset	-	-	4	9	-	-	4	9
Segment profit/(loss) before tax	23,327	52,285	(1,275)	(1,331)	(6)	21	22,046	50,975
Additions to non-current assets	4,749	7,017	182	273	-	-	4,931	7,290
Segment assets		367,500		3,693	-	31,454		402,647
Segment liabilities		124,801		163	-	12		124,976

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

2016	Furniture Manufacturing		Plantation		Other		Group	
	2 nd Quarter RM'000	YTD RM'000	2nd Quarter RM'000	YTD RM'000	2nd Quarter RM'000	YTD RM'000	2nd Quarter RM'000	YTD RM'000
Revenue								
Total revenue	146,594	313,317	-	-	15,383	26,946	161,977	340,263
Inter-segment revenue	(2,084)	(3,414)	-	-	(15,383)	(26,946)	(17,467)	(30,360)
Revenue from external customers	144,510	309,903	-	-	-	-	144,510	309,903
Interest income	161	805	-	1	65	454	226	1,260
Finance costs	(276)	(579)	-	-	-	-	(276)	(579)
Net finance costs	(115)	226	-	1	65	454	(50)	681
Depreciation of property, plant and equipment	1,691	3,291	10	52	-	-	1,701	3,343
Amortisation of intangible asset	-	-	5	10	-	-	5	10
Segment profit/(loss) before tax	22,281	50,437	(20)	(129)	(13)	(205)	22,248	50,103
Additions to non-current assets	8,060	10,816	285	611	-	-	8,346	11,428
Segment assets		317,707		5,973		36,564		360,244
Segment liabilities		109,888		160		7,209		117,257

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

	Current Quarter		Year to Date	
	30 June		30 June	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Africa	577	706	1,119	1,264
America	119,499	110,690	253,005	239,240
Asia	25,670	18,310	44,720	41,809
Australia	111	632	620	790
Europe	54	-	371	151
Malaysia	23,697	14,172	42,796	26,649
	169,608	144,510	342,631	309,903

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 30 June 2017.

11. Material events subsequent to the end of the period

There were no material events subsequent to 30 June 2017.

12. Changes in the composition of the Group

There were no changes in the composition of the Company for the period ended 30 June 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	9,817
- 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 30 June 2017.

15. Significant Related Party Transactions

Subsidiaries	Transacting Parties	Relationship	Nature of Transactions	Current quarter ended 30.06.17	Cumulative Quarter ended 30.06.17
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	RM826,446
Favourite Design Sdn Bhd	Double Soon Huat Enterprise	A company in which Chua Yong Haup is a connected person.	Provide subcontract charges	RM474,544	RM911,988
Favourite Design Sdn Bhd	NNST Capital Sdn Bhd	A company in which Tan Bee Eng has interest	Renting of building	RM62,910	RM125,820
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	RM132,132	RM228,476

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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	2 nd Qtr 2017 RM'000	2nd Qtr 2016 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	169,608	144,510	25,098	17.37%
Profit before tax	22,046	22,248	(202)	(0.91%)

The Group's revenue for the second quarter of 2017 continue to grow by 17.37% compared to the corresponding quarter of last year. The contributing factors were increased demand for all of the Group's products, grew 7.5% in term of USD ; and better USD conversion rate, appreciated 8% compared to corresponding quarter of last year (2017:4.32, 2016:4.00)

Irrespective of the rise in revenue, the Group's profit before tax was down by 0.91%. The escalating of raw materials cost especially wood and shortage of workers had resulted in the higher operating cost thus lower profit margin coupled with the writing off of biological asset amounted to RM1.2 million for the Plantation Division in the current quarter.

17 Variation of Results Against Preceding Quarter

Description	2nd Qtr 2017 RM'000	1 st Qtr 2017 RM'000	Increase/ (Decrease)	
			RM'000	%
Revenue	169,608	173,022	(3,414)	(1.97%)
Profit before tax	22,046	28,929	(6,883)	(23.79%)

Revenue in the current quarter grew marginally but was offset by the depreciation of USD in the current quarter by 2.7% (2nd Qtr 2017: 4.32; 1st Qtr 2017:4.44).

The acceleration of the cost of raw materials, increased in labour and subcontractors charges and depreciation of USD had eroded the Group's profit margin by 3% compared to the immediate preceding quarter. The current profit before tax was further impacted by the written off of RM1.2 million of biological asset, resulted profit before tax down 23.79% compared to 1st quarter 2017.

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18. Current year prospects

The US July labour market exceeded expectations, this show that labour conditions are continuing to strengthen thus indicating a sustainable economic growth in the Group's main market.

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	5,429	12,418
- over provision of prior years	-	-
- deferred taxation	<u>(3)</u>	<u>(183)</u>
	<u>5,426</u>	<u>12,235</u>

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21. Corporate proposal

KAF Investment Bank Berhad on behalf of LHIB had made an announcement on 29 May 2017 that Favourite Design Sdn Bhd, a wholly owned subsidiary company of LHIB had, on 26 May 2017, entered into a conditional share sale agreement dated 26 May 2017 with the vendors of Domain Partners Sdn Bhd (DPSB) for the proposed acquisition of the entire share capital of 500,000 shares of DPSB.

22. Group Borrowings and Debt Securities

The Group's borrowings as at 30 June 2017 were as follows: -

	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
Short Term	31,149	-	31,149
Long Term	<u>3,870</u>	-	<u>3,870</u>
	<u>35,019</u>	-	<u>35,019</u>

All borrowings are denominated in Ringgit Malaysia.

23. Financial Instruments - derivatives

As at 30 June 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	39,105	39,236	131

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.

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24. Other Operating Income/(expenses)

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

	Current Quarter 30 June		Year to Date 30 June	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Foreign exchange gain/(loss)				
-realised	(2,706)	2,214	(3,487)	(2,794)
-unrealised	308	1,389	128	(777)
Gain/(loss) on disposal of property, plant & equipment	50	20	60	64
Interest income	680	729	1,437	1,260
Fair value gain/(loss) on derivative Financial instruments	(131)	(729)	(131)	765
Rental income	100	100	202	199
Sundry revenue	60	91	113	193
	(1,639)	3,814	(1,678)	(1,090)

25. Operating Expenses

The operating expenses included the following charges: -

	Current Quarter 30 June		Year to Date 30 June	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Depreciation & amortisation	1,905	1,706	3,745	3,352
Interest expenses	268	276	466	579
Property, plant & equipment written off	-	-	-	3
Biological asset written off	1,196	-	1,196	-

26. Realised and Unrealised Profits

	Current financial period ended 30/06/2017 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	161,607
- Unrealised	(3,085)

Total group retained profits as per consolidated accounts	158,522
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27 Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 30 June 2017.

28. Material Litigations

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

29. Dividends

The second single tier dividend of 4 sen totalling RM7.2million in respect of the financial year ending 31 December 2017 is declared for the period ended 30 June 2017, payable on 26 September 2017 to depositors registered in the Records of Depositors at close of business on 12 September 2017.

30. Basic Earning per Share

	Current Quarter		Year to Date	
	30 June		30 June	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit attributable to shareholders	16,620	17,019	38,740	38,111
Weighted average number of shares	180,000	180,000	180,000	180,000
Basic Earning per Share (sen)	9.23	9.46	21.52	21.17

31. 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 24 August 2017.

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

Tan Wang Giap, MACS 00523
Secretary