

LII HEN INDUSTRIES BHD (301361-U)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

ASSETS	Note	AS AT END OF CURRENT QUARTER 31/03/2018 RM'000 UNAUDITED	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2017 RM'000 AUDITED
Non-current assets			
Property, plant and equipment	10	152,437	151,946
Investment property		381	383
Prepaid lease payment		-	-
Long Term Investments		-	-
Goodwill on consolidation		-	-
Intangible Assets		499	506
Biological Assets		2,546	2,439
		<u>155,863</u>	<u>155,274</u>
Current assets			
Inventories		82,568	88,200
Trade receivables		64,894	61,423
Other receivables		20,955	24,181
Tax assets		2,632	1,447
Short term investment		-	-
Derivatives financial instruments at fair value	22	395	-
Fixed deposits with licensed banks		40,524	16,993
Cash and Bank Balances		47,794	75,220
		<u>259,762</u>	<u>267,464</u>
TOTAL ASSETS		<u>415,625</u>	<u>422,738</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent:			
Share Capital		90,000	90,000
Reserves		192,507	198,773
		<u>282,507</u>	<u>288,773</u>
Non-controlling interest		(712)	(712)
TOTAL EQUITY		<u>281,795</u>	<u>288,061</u>
Non-current liabilities			
Borrowings	21	2,606	3,836
Deferred taxation		15,078	14,886
		<u>17,684</u>	<u>18,722</u>
Current Liabilities			
Payables		79,257	78,349
Derivatives financial instruments at fair value	22	-	-
Dividend payables	27	-	-
Short term borrowings	21	36,227	34,604
Provision for Taxation		662	3,002
		<u>116,146</u>	<u>115,955</u>
TOTAL LIABILITIES		<u>133,830</u>	<u>134,677</u>
TOTAL EQUITY AND LIABILITIES		<u>415,625</u>	<u>422,738</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31st December 2017)

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 2018

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2018

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31.03.2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2017 RM'000	CURRENT YEAR TO DATE 31.03.2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31.03.2017 RM'000
Revenue	9	193,764	173,022	193,764	173,022
Cost of sales		(164,818)	(128,825)	(164,818)	(128,825)
Gross Profit		28,946	44,197	28,946	44,197
Other operating income/(expenses)	23	(2,809)	(39)	(2,809)	(39)
Operating expenses	24	(14,666)	(15,031)	(14,666)	(15,031)
Profit from operations		11,471	29,127	11,471	29,127
Finance costs		(330)	(198)	(330)	(198)
Profit before taxation		11,141	28,929	11,141	28,929
Taxation	20	(3,007)	(6,810)	(3,007)	(6,810)
Profit for the period		8,134	22,119	8,134	22,119
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		8,134	22,119	8,134	22,119
Profit attributable to :-					
Owners of the Parent		8,134	22,119	8,134	22,119
Non-controlling Interest					
		8,134	22,119	8,134	22,119
Total comprehensive income attributable to :					
Owners of the Parent		8,134	22,119	8,134	22,119
Non-controlling Interest					
		8,134	22,119	8,134	22,119
Earning per share attributable to owners of the Parent (sen)					
Basic	28	4.52	12.29	4.52	12.29
Diluted					
		4.52	12.29	4.52	12.29

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31st December 2017)

LII HEN INDUSTRIES BHD (301361-U)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 MARCH 2018

	-----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 2018	90,000	27,231	171,541	288,773	(712)	288,061
Total comprehensive income for the period			8,134	8,134	-	8,134
Dividend paid			(14,400)	(14,400)	-	(14,400)
Balance as at 31 March 2018	<u>90,000</u>	<u>27,231</u>	<u>165,275</u>	<u>282,507</u>	<u>(712)</u>	<u>281,795</u>
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 March 2017	<u>90,000</u>	<u>29,042</u>	<u>149,101</u>	<u>268,143</u>	<u>107</u>	<u>268,250</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 2017)

LII HEN INDUSTRIES BHD (301361-U)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR PERIOD ENDED 31 MARCH 2018

	Ended 31.03.2018 RM'000	Ended 31.03.2017 RM'000
Cash Flow From Operating Activities		
Profit before Taxation	11,141	28,929
Adjustments for :-		
Depreciation	2,105	1,835
Amortisation of intangible assets	5	5
Bad debts written off	-	-
Interest expenses	330	198
Interest income	(481)	(757)
Fixed assets written off	-	-
Inventories written off due to fire/down to net realisable value	-	-
Biological asset written off	-	-
(Gain)/Loss on disposal of property, plant and equipment	(9)	(10)
Unrealised foreign exchange loss/(gain)	701	180
Net fair value loss/(gain) on financial instruments measured at fair value	(396)	-
Operating profit before working capital changes	<u>13,396</u>	<u>30,380</u>
(Increase) in inventories	5,632	3,184
(Increase) in receivables	(945)	(90)
(Decrease) in payables	907	(63)
Cash (used in)/generated from operations	<u>18,990</u>	<u>33,411</u>
Interest paid	(330)	(198)
Income tax refund	-	150
Tax paid	(6,340)	(5,650)
Realisation of derivative financial instruments	-	(2,649)
Net cash (used in)/from operating activities	<u>12,320</u>	<u>25,064</u>
Cash Flow From Investing Activities		
Purchase of property, plant and equipment	(2,599)	(2,268)
Purchase of subsidiary DPSB, net of cash acquired	-	-
Biological assets	(107)	(91)
Proceeds from issue of equity from non-controlling interest	-	-
Proceeds from disposal of property, plant and equipment	16	19
Interest income	481	757
Net cash used in investing activities	<u>(2,209)</u>	<u>(1,583)</u>
Cash Flow From Financing Activities		
Banker Acceptances	1,910	(4,723)
Repayment of term loans	(426)	(568)
Changes in pledged short term deposits	-	-
Dividend paid	(14,400)	(18,000)
Net cash from/(used in) financing activities	<u>(12,916)</u>	<u>(23,291)</u>
Net changes in Cash and Cash Equivalents	<u>(2,805)</u>	<u>190</u>
Cash and Cash Equivalents Brought Forward	84,749	124,983
Cash and Cash Equivalents Carried Forward	<u><u>81,944</u></u>	<u><u>125,173</u></u>
Cash and cash equivalents carried forward consists of :-		
Cash and bank balances	85,562	128,204
Bank overdraft	(3,618)	(3,031)
	<u><u>81,944</u></u>	<u><u>125,173</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 2017)

**NOTES TO THE QUARTERLY FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2018**

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 2017. 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 financial year ended 31 December 2017.

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 2017, 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 2018:

(a) Adoption of Standards

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
Amendments to MFRS 140	Transfers of Investment Property
Annual Improvements to MFRSs 2015-2017 Cycle	
IC Interpretation 22	Foreign Currency Transactions And Advance Consideration

MFRS 9 – Financial Instruments

The Group has applied forward looking impairment policy to calculate the expected credit losses on all trade receivables. For the purpose of assessing the new ECL impairment model, the Group had categorized the customers into segments of customers portfolio based on past repayment records, credit terms provided as well as assessing the economic factors of each individual market it operates in. Due to the strong creditworthiness of the Group’s debtors, the Group has determined that there shall not be any loss allowance required.

The adoption of MFRS 9 did not have any significant effects on the interim financial report upon their initial application.

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2. Significant Accounting Policies

MFRS 15 Revenue from Contracts with Customers

MFRS 15 provides a principles based approach for revenue recognition, and introduces the concept of recognizing revenue for performance obligations as they are satisfied. The core principle in MFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods and services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

The adoption of MFRS 15 did not have any material impact on the financial statements of the Group as most of the revenue of the Group are already recognized in accordance with the principles of MFRS 15.

(b) Standards issued but not yet effective

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 3	Business Combinations
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised losses
Amendments to MFRS 123	Borrowing Costs
IC interpretation 23	Uncertainty Over Income Tax Treatments

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

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3. Audit Qualification Report

The preceding financial statements for the year ended 31 December 2017 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 2018.

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 2018.

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	8 sen	31.12.2017	14,400.00	13.03.2018	27.03.2018

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9. Segmental Reporting

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

2018	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
Revenue								
Total revenue	193,954	193,954	-	-	14,400	14,400	208,354	208,354
Inter-segment revenue	(190)	(190)	-	-	(14,400)	(14,400)	(14,590)	(14,590)
Revenue from external customers	193,764	193,764	-	-	-	-	193,764	193,764
Interest income	231	231	-	-	251	251	482	482
Finance costs	(330)	(330)	-	-	-	-	(330)	(330)
Net finance income	(99)	(99)	-	-	380	975	152	152
Depreciation of property, plant and equipment	2,083	2,083	23	23	-	-	2,106	2,106
Amortisation of intangible asset	-	-	4	4	-	-	4	4
Segment profit/(loss) before tax	11,010	11,010	19	19	112	112	11,141	11,141
Additions to non-current assets	2,599	2,599	107	107	-	-	2,706	2,706
Segment assets		386,228		6,375	-	23,022		415,625
Segment liabilities		133,555		185	-	91		133,831

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

2017	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
Revenue								
Total revenue	173,374	173,374	-	-	25,200	42,820	198,574	198,574
Inter-segment revenue	(352)	(352)	-	-	(25,200)	(42,820)	(25,552)	(25,552)
Revenue from external customers	173,022	173,022	-	-	-	-	173,022	173,022
Interest income	610	610	-	-	147	147	757	757
Finance costs	(198)	(198)	-	-	-	-	(198)	(198)
Net finance costs	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

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

	Current Quarter		Year to Date	
	31 Mar		31 Mar	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Africa	604	542	604	542
America	144,495	133,506	144,495	133,506
Asia	34,305	19,050	34,305	19,050
Australia	1,331	508	1,331	508
Europe	341	316	341	316
Malaysia	12,688	19,100	12,688	19,100
	193,764	173,022	193,764	173,022

There are two (2) major customers with revenue equal or more than 10% of the Group's total revenue in the current quarter.

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 2018.

11. Material events subsequent to the end of the period

There were no material events subsequent to 31 March 2018.

12. Changes in the composition of the Group

There were no changes in the composition of the Company for the period ended 31 March 2018.

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	10,923
- unsecured	-
Corporate guarantees for credit facilities granted to subsidiary companies (unsecured)	93,378

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14. Capital Commitments

Capital commitments for property, plant and equipment not provided for in the financial statements as at 31 March 2018 was as follows:

	RM'000
Authorized by Directors and contracted	<u>5,670</u>

15. Significant Related Party Transactions

Subsidiaries	Transacting Parties	Relationship	Nature of Transactions	Current quarter ended 31.03.18	Cumulative Quarter ended 31.03.18
Favourite Design Sdn Bhd	Double Soon Huat Enterprise	A company in which Chua Yong Haup is a connected person.	Provide subcontract charges	RM386,811	RM386,811
Favourite Design Sdn Bhd	NNST Capital Sdn Bhd	A company in which Tan Bee Eng has interest	Renting of building	RM62,910	RM62,910
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	RM109,720	RM109,720

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ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS

16. Review of performance

Financial review for current quarter and financial year to date as tabled below: -

	Individual Period (1st Quarter)		Changes (%)	Cumulative Period		Changes (%)
	31.03.18	31.03.17		31.03.18	31.03.17	
	RM'000	RM'000		RM'000	RM'000	
Revenue	193,764	173,022	12%	193,764	173,022	12%
Profit before tax	11,141	28,929	(61%)	11,141	28,929	(61%)
Profit after tax	8,134	22,119	(63%)	8,134	22,119	(63%)
Profit attributable to Ordinary Equity of the Parent	8,134	22,119	(63%)	8,134	22,119	(63%)

The Group's revenue for the current quarter registered at USD 47 million, increased 27% compared to USD 37 million of the preceding corresponding quarter. In this quarter, the Group's products continued to grow at a steady pace, however the increase was offset by the continued depreciation of USD against RM by 12% compared to corresponding quarter of last year. (2018: 3.90, 2017: 4.44).

Despite of the rose in revenue, the Group's profit before tax decreased 61%. This was mainly due to the higher raw materials cost; higher labour operating costs resultant from more hiring, more overtime claimed and extra overhead cost on foreign workers levy; coupled with the strengthening of RM in the current quarter.

17. Variation of Results Against Preceding Quarter

Description	1st Qtr 2018 RM'000	4th Qtr 2017 RM'000	Changes	
			RM'000	%
Revenue	193,764	184,908	8,856	5%
Profit before tax	11,141	16,251	(5,110)	(31%)
Profit after tax	8,134	12,522	(4,388)	(35%)
Profit attributable to Ordinary Equity Holders of the Parent	8,134	12,522	(4,388)	(35%)

Revenue in term of USD in the current quarter grew 12% from USD 42 million of the immediate preceding quarter to USD 47 million but recorded only 5% increase in RM term due to the depreciation of USD by 6%. (1st Qtr 2018 :3.90; 4th Qtr 2017: 4.15)

Regardless of the lower administration expenses as compared to immediate preceding quarter, the Group's profit before tax down by 31% mainly due to increase in raw materials cost and lower USD conversion rate in the current quarter.

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18. Current year prospects

The recovery cycle of US's economy continues and that should position the American consumer sector to remain vibrant. The impending trade talk between China and US might cause uncertainties on the global economic growth.

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. The recent weakening of USD will affect the Group's operating results, financial performance and liquidity. 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 remain profitable for year 2018.

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	2,815	2,815
- over provision of prior years	-	-
- deferred taxation	<u>192</u>	<u>192</u>
	<u>3,007</u>	<u>3,007</u>

The higher effective tax rate was due to certain expenses incurred were not allowable for tax purposes in certain subsidiary companies.

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21. Group Borrowings and Debt Securities

The Group's borrowings as at 31 March 2018 were as follows: -

	1 st Quarter 2018 (RM'000)	1st Quarter 2017 (RM'000)
Short Term		
Overdraft	3,618	3,031
Bankers' acceptance	29,838	18,125
Term loans	2,773	3,260
Total	36,229	24,416
Long Term		
Term loans	2,606	4,280
Total borrowings	38,835	28,696

The loans and borrowings are secured and denominated in Ringgit Malaysia. The weighted average floating interest rates were ranged from 3.28% to 4.7%.

22. Financial Instruments - derivatives

As at 31 March 2018, 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	27,364	26,968	396

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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23. Other Operating Income/(expenses)

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

	Current Quarter 31 March		Year to Date 31 March	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Foreign exchange gain/(loss)				
-realised	(3,244)	(781)	(3,244)	(781)
-unrealised	(701)	(180)	(701)	(180)
Gain/(loss) on disposal of property, plant & equipment	(9)	10	(9)	10
Interest income	481	757	481	757
Fair value gain/(loss) on derivative Financial instruments	396	-	396	-
Rental income	132	102	132	102
Sundry revenue	64	53	64	53
Insurance claim	72	-	72	-
	(2,809)	(39)	(2,809)	(39)

24. Operating Expenses

The operating expenses included the following charges: -

	Current Quarter 31 March		Year to Date 31 March	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Depreciation & amortisation	2,110	1,840	2,110	1,840
Interest expenses	330	198	330	198

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25. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 31 March 2018.

26. Material Litigations

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

27. Dividends

The first single tier dividend of 2.5 sen totaling RM4.5 million in respect of the financial year ended 31 December 2018 is declared for the period ended 31 March 2018, payable on 29 June 2018 to depositors registered in the Records of Depositors at close of business on 13 June 2018.

28. Basic Earning per Share

	Current Quarter		Year to Date	
	31 Mar		31 Mar	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit attributable to shareholders	8,134	22,119	8,134	22,119
Weighted average number of shares	180,000	180,000	180,000	180,000
Basic Earning per Share (sen)	4.52	12.29	4.52	12.29

29. 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 May 2018.

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

Tan Wang Giap, MACS 00523
Secretary