

**LII HEN INDUSTRIES BHD (Company No: 301361-U)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018**

| ASSETS                                              | Note | AS AT<br>END OF<br>CURRENT<br>QUARTER<br>31/12/2018<br>RM'000<br>UNAUDITED | AS AT<br>PRECEDING<br>FINANCIAL<br>YEAR ENDED<br>31/12/2017<br>RM'000<br>AUDITED |
|-----------------------------------------------------|------|----------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| <b>Non-current assets</b>                           |      |                                                                            |                                                                                  |
| Property, plant and equipment                       | 10   | 163,402                                                                    | 151,946                                                                          |
| Investment property                                 |      | 375                                                                        | 383                                                                              |
| Prepaid lease payment                               |      | -                                                                          | -                                                                                |
| Long Term Investments                               |      | -                                                                          | -                                                                                |
| Goodwill on consolidation                           |      | -                                                                          | -                                                                                |
| Intangible Assets                                   |      | 485                                                                        | 506                                                                              |
| Biological Assets                                   |      | 3,028                                                                      | 2,439                                                                            |
|                                                     |      | <u>167,290</u>                                                             | <u>155,274</u>                                                                   |
| <b>Current assets</b>                               |      |                                                                            |                                                                                  |
| Inventories                                         |      | 89,260                                                                     | 88,200                                                                           |
| Trade receivables                                   |      | 67,124                                                                     | 61,423                                                                           |
| Other receivables                                   |      | 16,368                                                                     | 24,181                                                                           |
| Tax assets                                          |      | 2,708                                                                      | 1,447                                                                            |
| Short term investment                               |      | -                                                                          | -                                                                                |
| Derivatives financial instruments at fair value     | 22   | 54                                                                         | -                                                                                |
| Fixed deposits with licensed banks                  |      | 39,259                                                                     | 16,993                                                                           |
| Cash and Bank Balances                              |      | 54,383                                                                     | 75,220                                                                           |
|                                                     |      | <u>269,156</u>                                                             | <u>267,464</u>                                                                   |
| <b>TOTAL ASSETS</b>                                 |      | <u>436,446</u>                                                             | <u>422,738</u>                                                                   |
| <b>EQUITY AND LIABILITIES</b>                       |      |                                                                            |                                                                                  |
| <b>Equity attributable to owners of the Parent:</b> |      |                                                                            |                                                                                  |
| Share Capital                                       |      | 90,000                                                                     | 90,000                                                                           |
| Reserves                                            |      | 219,660                                                                    | 198,773                                                                          |
|                                                     |      | <u>309,660</u>                                                             | <u>288,773</u>                                                                   |
| Non-controlling interest                            |      | 165                                                                        | (712)                                                                            |
| <b>TOTAL EQUITY</b>                                 |      | <u>309,825</u>                                                             | <u>288,061</u>                                                                   |
| <b>Non-current liabilities</b>                      |      |                                                                            |                                                                                  |
| Borrowings                                          | 21   | 1,489                                                                      | 3,836                                                                            |
| Deferred taxation                                   |      | 15,494                                                                     | 14,886                                                                           |
|                                                     |      | <u>16,983</u>                                                              | <u>18,722</u>                                                                    |
| <b>Current Liabilities</b>                          |      |                                                                            |                                                                                  |
| Payables                                            |      | 80,998                                                                     | 78,349                                                                           |
| Derivatives financial instruments at fair value     | 22   | -                                                                          | -                                                                                |
| Dividend payables                                   | 27   | -                                                                          | -                                                                                |
| Short term borrowings                               | 21   | 27,763                                                                     | 34,604                                                                           |
| Provision for Taxation                              |      | 877                                                                        | 3,002                                                                            |
|                                                     |      | <u>109,638</u>                                                             | <u>115,955</u>                                                                   |
| <b>TOTAL LIABILITIES</b>                            |      | <u>126,621</u>                                                             | <u>134,677</u>                                                                   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                 |      | <u>436,446</u>                                                             | <u>422,738</u>                                                                   |

( The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31st December 2017 and the accompanying explanatory notes attached to these audited financial statements )

## LII HEN INDUSTRIES BHD (Company No: 301361-U)

The Board of Directors is pleased to announce the following :

### UNAUDITED RESULTS OF THE GROUP FOR 4<sup>TH</sup> QUARTER ENDED 31 DECEMBER 2018

#### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

|                                                                                                                                 | Note | INDIVIDUAL QUARTER                           |                                                              | CUMULATIVE QUARTER                           |                                                             |
|---------------------------------------------------------------------------------------------------------------------------------|------|----------------------------------------------|--------------------------------------------------------------|----------------------------------------------|-------------------------------------------------------------|
|                                                                                                                                 |      | CURRENT YEAR QUARTER<br>31.12.2018<br>RM'000 | PRECEDING YEAR CORRESPONDING QUARTER<br>31.12.2017<br>RM'000 | CURRENT YEAR TO DATE<br>31.12.2018<br>RM'000 | PRECEDING YEAR CORRESPONDING PERIOD<br>31.12.2017<br>RM'000 |
| <b>Revenue</b>                                                                                                                  | 9    | 216,815                                      | 184,908                                                      | 801,219                                      | 717,535                                                     |
| Cost of sales                                                                                                                   |      | (174,904)                                    | (147,357)                                                    | (663,411)                                    | (559,545)                                                   |
| <b>Gross Profit</b>                                                                                                             |      | 41,911                                       | 37,551                                                       | 137,808                                      | 157,990                                                     |
| Other operating income/(expenses)                                                                                               | 23   | 229                                          | 3,081                                                        | 1,883                                        | 1,931                                                       |
| Operating expenses                                                                                                              | 24   | (17,122)                                     | (23,112)                                                     | (64,752)                                     | (65,974)                                                    |
| <b>Profit from operations</b>                                                                                                   |      | 25,018                                       | 17,520                                                       | 74,939                                       | 93,947                                                      |
| Finance costs                                                                                                                   |      | (154)                                        | (322)                                                        | (1,205)                                      | (1,139)                                                     |
| <b>Profit before taxation</b>                                                                                                   |      | 24,865                                       | 17,198                                                       | 73,734                                       | 92,808                                                      |
| Taxation                                                                                                                        | 20   | (3,258)                                      | (1,879)                                                      | (15,068)                                     | (22,078)                                                    |
| <b>Profit for the period</b>                                                                                                    |      | 21,606                                       | 15,319                                                       | 58,666                                       | 70,730                                                      |
| <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>                                                                                |      | 21,606                                       | 15,319                                                       | 58,666                                       | 70,730                                                      |
| <b>Profit attributable to :-</b>                                                                                                |      |                                              |                                                              |                                              |                                                             |
| Owners of the Parent                                                                                                            |      | 21,496                                       | 15,383                                                       | 57,789                                       | 71,548                                                      |
| Non-controlling Interest                                                                                                        |      | 110                                          | (64)                                                         | 877                                          | (818)                                                       |
|                                                                                                                                 |      | 21,606                                       | 15,319                                                       | 58,666                                       | 70,730                                                      |
| <b>Total comprehensive income attributable to :</b>                                                                             |      |                                              |                                                              |                                              |                                                             |
| Owners of the Parent                                                                                                            |      | 21,496                                       | 15,383                                                       | 57,789                                       | 71,548                                                      |
| Non-controlling Interest                                                                                                        |      | 110                                          | (64)                                                         | 877                                          | (818)                                                       |
|                                                                                                                                 |      | 21,606                                       | 15,319                                                       | 58,666                                       | 71,730                                                      |
| <b>Earning per share attributable to owners of the Parent (sen)</b>                                                             |      |                                              |                                                              |                                              |                                                             |
| Basic                                                                                                                           | 28   | 11.94                                        | 8.55                                                         | 32.10                                        | 39.75                                                       |
| Diluted                                                                                                                         |      |                                              |                                                              |                                              |                                                             |
|                                                                                                                                 |      | 11.94                                        | 8.55                                                         | 32.10                                        | 39.75                                                       |

( The unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31st December 2017 and the accompanying notes attached to these audited financial statements )

**LII HEN INDUSTRIES BHD (Company No: 301361-U)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**

|                                           | -----Attributable to owners of the Parent ----- |                                                       |                                               | Total<br>RM'000 | Non<br>Controlling<br>Interest<br>RM'000 | Total<br>Equity<br>RM'000 |
|-------------------------------------------|-------------------------------------------------|-------------------------------------------------------|-----------------------------------------------|-----------------|------------------------------------------|---------------------------|
|                                           | Share<br>Capital<br>RM'000                      | Non distributable<br>Revaluation<br>Reserve<br>RM'000 | Distributable<br>Retained<br>Profit<br>RM'000 |                 |                                          |                           |
| Balance as at 1 January 2018              | 90,000                                          | 27,231                                                | 171,541                                       | 288,772         | (712)                                    | 288,060                   |
| Total comprehensive income for the period |                                                 |                                                       | 57,788                                        | 57,788          | 877                                      | 58,665                    |
| Dividend paid                             |                                                 |                                                       | (36,900)                                      | (36,900)        | -                                        | (36,900)                  |
| Balance as at 31 December 2018            | <u>90,000</u>                                   | <u>27,231</u>                                         | <u>192,429</u>                                | <u>309,660</u>  | <u>165</u>                               | <u>309,825</u>            |
| Balance as at 1 January 2017              | 90,000                                          | 29,042                                                | 144,982                                       | 264,024         | 107                                      | 264,131                   |
| Total comprehensive income for the period |                                                 |                                                       | 71,548                                        | 71,548          | (818)                                    | 70,730                    |
| Other comprehensive income                |                                                 | (1,811)                                               | 1,811                                         | -               | -                                        | -                         |
| Dividend paid                             |                                                 |                                                       | (46,800)                                      | (46,800)        | -                                        | (46,800)                  |
| Balance as at 31 December 2017            | <u>90,000</u>                                   | <u>27,231</u>                                         | <u>171,541</u>                                | <u>282,631</u>  | <u>(712)</u>                             | <u>288,061</u>            |

( The unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to these audited financial statements )

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR FOURTH QUARTER ENDED 31 DECEMBER 2018

|                                                                            | Unaudited Current<br>Year To Date<br>31 Dec 18<br>RM'000 | Preceding Year<br>Corresponding Period<br>31 Dec 17<br>RM'000 |
|----------------------------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------------|
| <b>Cash Flow From Operating Activities</b>                                 |                                                          |                                                               |
| Profit before Taxation                                                     | 73,734                                                   | 92,808                                                        |
| Adjustments for :-                                                         |                                                          |                                                               |
| Depreciation                                                               | 8,701                                                    | 7,581                                                         |
| Amortisation of intangible assets                                          | 19                                                       | 19                                                            |
| Bad debts written off                                                      | 33                                                       | 70                                                            |
| Interest expenses                                                          | 1,205                                                    | 1,140                                                         |
| Interest income                                                            | (1,962)                                                  | (3,183)                                                       |
| Fixed assets written off                                                   | 30                                                       | 3,913                                                         |
| Inventories written off due to fire/down to net realisable value           | -                                                        | 2,015                                                         |
| Biological asset written off                                               | -                                                        | 1,914                                                         |
| (Gain)/Loss on disposal of property, plant and equipment                   | (66)                                                     | (87)                                                          |
| Unrealised foreign exchange loss/(gain)                                    | 662                                                      | 899                                                           |
| Net fair value loss/(gain) on financial instruments measured at fair value | (54)                                                     | -                                                             |
| Operating profit before working capital changes                            | <u>82,302</u>                                            | <u>107,089</u>                                                |
| Decrease/(Increase) in inventories                                         | (1,060)                                                  | (27,208)                                                      |
| Decrease/(Increase) in receivables                                         | 1,416                                                    | (21,275)                                                      |
| (Decrease) in payables                                                     | 2,650                                                    | (1,107)                                                       |
| Cash (used in)/generated from operations                                   | <u>85,308</u>                                            | <u>57,499</u>                                                 |
| Interest paid                                                              | (1,205)                                                  | (1,140)                                                       |
| Income tax refund                                                          | -                                                        | 214                                                           |
| Tax paid                                                                   | (17,846)                                                 | (24,727)                                                      |
| Realisation of derivative financial instruments                            | -                                                        | -                                                             |
| Net cash (used in)/from operating activities                               | <u>66,257</u>                                            | <u>31,846</u>                                                 |
| <b>Cash Flow From Investing Activities</b>                                 |                                                          |                                                               |
| Purchase of property, plant and equipment                                  | (20,279)                                                 | (12,025)                                                      |
| Purchase of subsidiary DPSB, net of cash acquired                          | -                                                        | (18,592)                                                      |
| Biological assets                                                          | (589)                                                    | (415)                                                         |
| Proceeds from issue of equity from non-controlling interest                | -                                                        | -                                                             |
| Proceeds from disposal of property, plant and equipment                    | 168                                                      | 101                                                           |
| Interest income                                                            | 1,962                                                    | 3,272                                                         |
| Net cash used in investing activities                                      | (18,738)                                                 | (27,659)                                                      |
| <b>Cash Flow From Financing Activities</b>                                 |                                                          |                                                               |
| Drawdown/(repayment) of Banker Acceptances                                 | (2,965)                                                  | 4,992                                                         |
| Repayment of term loans and hire purchase creditor                         | (1,765)                                                  | (2,303)                                                       |
| Drawdown of Hire purchase                                                  | 250                                                      | -                                                             |
| Dividend paid                                                              | (36,900)                                                 | (46,800)                                                      |
| Net cash from/(used in) financing activities                               | (41,380)                                                 | (44,111)                                                      |
| Net changes in Cash and Cash Equivalents                                   | <u>6,139</u>                                             | <u>(39,924)</u>                                               |
| Cash and Cash Equivalents Brought Forward                                  | 84,749                                                   | 124,672                                                       |
| Cash and Cash Equivalents Carried Forward                                  | <u>90,888</u>                                            | <u>84,748</u>                                                 |
| Cash and cash equivalents carried forward consists of :-                   |                                                          |                                                               |
| Cash and bank balances                                                     | 90,888                                                   | 89,456                                                        |
| Bank overdraft                                                             | -                                                        | (4,708)                                                       |
|                                                                            | <u>90,888</u>                                            | <u>87,748</u>                                                 |

( The unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to these audited financial statements )

**NOTES TO THE QUARTERLY FINANCIAL REPORT  
FOR THE PERIOD ENDED 31 DECEMBER 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.

## LII HEN INDUSTRIES BHD (Company No: 301361-U)

- Continue

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

### 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.

## LII HEN INDUSTRIES BHD (Company No: 301361-U)

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### 3. Auditors' Report on Preceding Annual Financial Statements

There was no qualification to the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2017.

### 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. Items of Unusual Nature

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows for the financial period ended 31 December 2018.

### 6. Material Changes in estimates

There is no significant changes in estimates that have had a material effect in the current quarter and financial period to date results.

### 7. Changes in debts and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt or equity securities for the financial period ended 31 December 2018.

### 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'000 | Entitlement Date | Payment Date |
|----------------------------|--------------------|--------------------|---------------|------------------|--------------|
| Special single tier        | 8 sen              | 31.12.2017         | 14,400        | 13.03.2018       | 27.03.2018   |
| First interim single tier  | 2.5 sen            | 31.12.2018         | 4,500         | 13.06.2018       | 29.06.2018   |
| Final single tier          | 3 sen              | 31.12.2017         | 5,400         | 05.07.2018       | 19.07.2018   |
| Second interim single tier | 3.5 sen            | 31.12.2018         | 6,300         | 12.09.2018       | 27.09.2018   |
| Third interim single tier  | 3.5 sen            | 31.12.2018         | 6,300         | 12.12.2018       | 27.12.2018   |

**LII HEN INDUSTRIES BHD (Company No: 301361-U)**

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**9. Segmental Reporting**

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

| 2018                                                 | Furniture<br>Manufacturing |               | Plantation            |               | Other                 |               | Group                             |               |
|------------------------------------------------------|----------------------------|---------------|-----------------------|---------------|-----------------------|---------------|-----------------------------------|---------------|
|                                                      | 4th Quarter<br>RM'000      | YTD<br>RM'000 | 4th Quarter<br>RM'000 | YTD<br>RM'000 | 4th Quarter<br>RM'000 | YTD<br>RM'000 | 4 <sup>th</sup> Quarter<br>RM'000 | YTD<br>RM'000 |
| <b>Revenue</b>                                       |                            |               |                       |               |                       |               |                                   |               |
| Total revenue                                        | 217,279                    | 802,991       | -                     | -             | 6,300                 | 36,900        | 223,579                           | 839,891       |
| Inter-segment revenue                                | (464)                      | (1,772)       | -                     | -             | (6,300)               | (36,900)      | (6,764)                           | (38,672)      |
| Revenue from external customers                      | 216,815                    | 801,219       | -                     | -             | -                     | -             | 216,815                           | 801,219       |
| <b>Interest income</b>                               |                            |               |                       |               |                       |               |                                   |               |
| Interest income                                      | 382                        | 1,125         | -                     | -             | 172                   | 837           | 554                               | 1,962         |
| Finance costs                                        | (154)                      | (1,205)       | -                     | -             | -                     | -             | (154)                             | (1,205)       |
| Net finance income                                   | 228                        | (80)          | -                     | -             | 172                   | 837           | 400                               | 757           |
| <b>Depreciation of property, plant and equipment</b> |                            |               |                       |               |                       |               |                                   |               |
| Depreciation of property, plant and equipment        | 2,295                      | 8,609         | 24                    | 92            | -                     | -             | 2,319                             | 8,701         |
| <b>Amortisation of intangible asset</b>              |                            |               |                       |               |                       |               |                                   |               |
| Amortisation of intangible asset                     | -                          | -             | 5                     | 19            | -                     | -             | 5                                 | 19            |
| <b>Segment profit/(loss) before tax</b>              |                            |               |                       |               |                       |               |                                   |               |
| Segment profit/(loss) before tax                     | 24,840                     | 73,612        | (63)                  | (178)         | 88                    | 300           | 24,865                            | 73,734        |
| <b>Additions to non-current assets</b>               |                            |               |                       |               |                       |               |                                   |               |
| Additions to non-current assets                      | 1,937                      | 20,477        | 71                    | 391           | -                     | -             | 2,008                             | 20,868        |
| <b>Segment assets</b>                                |                            |               |                       |               |                       |               |                                   |               |
| Segment assets                                       |                            | 412,539       |                       | 5,130         | -                     | 18,777        |                                   | 436,446       |
| <b>Segment liabilities</b>                           |                            |               |                       |               |                       |               |                                   |               |
| Segment liabilities                                  |                            | 126,290       |                       | 250           | -                     | 81            |                                   | 126,621       |



**LII HEN INDUSTRIES BHD (Company No: 301361-U)**

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

| 2017                                          | Furniture<br>Manufacturing |                | Plantation            |               | Other                 |               | Group                 |                |
|-----------------------------------------------|----------------------------|----------------|-----------------------|---------------|-----------------------|---------------|-----------------------|----------------|
|                                               | 4th Quarter<br>RM'000      | YTD<br>RM'000  | 4th Quarter<br>RM'000 | YTD<br>RM'000 | 4th Quarter<br>RM'000 | YTD<br>RM'000 | 4th Quarter<br>RM'000 | YTD<br>RM'000  |
| <b>Revenue</b>                                |                            |                |                       |               |                       |               |                       |                |
| Total revenue                                 | 185,342                    | 719,033        | -                     | -             | 8,239                 | 53,240        | 193,581               | 772,273        |
| Inter-segment revenue                         | (434)                      | (1,498)        | -                     | -             | (8,239)               | (53,240)      | (8,673)               | (54,738)       |
| Revenue from external customers               | <u>184,908</u>             | <u>717,535</u> | <u>-</u>              | <u>-</u>      | <u>-</u>              | <u>-</u>      | <u>189,996</u>        | <u>717,535</u> |
| Interest income                               | 528                        | 2,256          | -                     | -             | 380                   | 975           | 908                   | 3,231          |
| Finance costs                                 | (322)                      | (1,066)        | -                     | -             | -                     | -             | (322)                 | (1,066)        |
| Net finance costs                             | <u>206</u>                 | <u>1,190</u>   | <u>-</u>              | <u>-</u>      | <u>380</u>            | <u>975</u>    | <u>586</u>            | <u>2,165</u>   |
| Depreciation of property, plant and equipment | 1,815                      | 7,451          | 22                    | 98            | -                     | -             | 1,837                 | 7,549          |
| Amortisation of intangible asset              | -                          | -              | 3                     | 19            | -                     | -             | 3                     | 19             |
| Segment profit/(loss) before tax              | 17,354                     | 95,148         | (68)                  | (1,441)       | (88)                  | 47            | 17,198                | 93,754         |
| Additions to non-current assets               | 1,645                      | 12,024         | 114                   | 416           | -                     | -             | 1,759                 | 12,439         |
| Segment assets                                |                            | 432,143        |                       | 18,658        |                       | 96,043        |                       | 546,842        |
| Segment liabilities                           |                            | 133,617        |                       | 17,738        |                       | 147           |                       | 151,502        |

## LII HEN INDUSTRIES BHD (Company No: 301361-U)

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

|           | Current Quarter |         | Year to Date |         |
|-----------|-----------------|---------|--------------|---------|
|           | 31 Dec          |         | 31 Dec       |         |
|           | 2018            | 2017    | 2018         | 2017    |
|           | RM'000          | RM'000  | RM'000       | RM'000  |
| Africa    | 677             | 565     | 3,396        | 2,330   |
| America   | 165,995         | 127,796 | 585,298      | 516,717 |
| Asia      | 36,265          | 32,574  | 151,952      | 104,287 |
| Australia | 2,457           | 869     | 5,603        | 2,197   |
| Europe    | 146             | 359     | 1,968        | 851     |
| Malaysia  | 11,275          | 22,745  | 53,002       | 91,153  |
|           | 216,815         | 184,908 | 801,219      | 717,535 |

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 December 2018.

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

There were no material events subsequent to 31 December 2018.

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

There were no changes in the composition of the Company for the period ended 31 December 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                                                                                | 9,273  |
| - unsecured                                                                              | -      |
| Corporate guarantees for credit facilities granted to subsidiary companies ( unsecured ) | 93,378 |

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**14. Capital Commitment**

There is no capital commitment incurred in the interim financial report as at 31 December 2018.

**15. Significant Related Party Transactions**

| Subsidiaries                            | Transacting Parties               | Relationship                                            | Nature of Transactions      | Current Quarter Ended 31.12.18 | Cumulative Quarter Ended 31.12.18 |
|-----------------------------------------|-----------------------------------|---------------------------------------------------------|-----------------------------|--------------------------------|-----------------------------------|
| Favourite Design Sdn Bhd                | Double Soon Huat Enterprise       | A company in which Chua Yong Haup is a connected person | Provide subcontract charges | RM619,939                      | RM2,083,203                       |
| Favourite Design Sdn Bhd                | NNST Capital Sdn Bhd              | A company in which Tan Bee Eng has interest             | Renting of building         | RM62,910                       | RM251,640                         |
| 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  | RM84,052                       | RM441,122                         |
| LSG Furniture Sdn Bhd                   | Hong Tat Sofa Enterprise          | A company in which Sia Chee Shong is a connected person | Selling of raw materials    | RM Nil                         | RM73,574                          |
| LSG Furniture Sdn Bhd                   | Hong Tat Sofa Enterprise          | A company in which Sia Chee Shong is a connected person | Provide subcontract charges | RM49,281                       | RM110,031                         |

## LII HEN INDUSTRIES BHD (Company No: 301361-U)

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### ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS

#### 16. Review Performance of the Group

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

|                                                      | Individual Period (4 <sup>th</sup> Quarter) |          | Changes (%) | Cumulative Period |          | Changes (%) |
|------------------------------------------------------|---------------------------------------------|----------|-------------|-------------------|----------|-------------|
|                                                      | 31.12.18                                    | 31.12.17 |             | 31.12.18          | 31.12.17 |             |
|                                                      | RM'000                                      | RM'000   |             | RM'000            | RM'000   |             |
| Revenue                                              | 216,815                                     | 184,908  | 17.26%      | 801,219           | 717,535  | 11.66%      |
| Profit before tax                                    | 24,865                                      | 17,198   | 44.58%      | 73,734            | 92,808   | (20.55%)    |
| Profit after tax                                     | 21,606                                      | 15,319   | 41.04%      | 58,665            | 70,730   | (17.06%)    |
| Profit attributable to Ordinary Equity of the Parent | 21,496                                      | 15,383   | 39.74%      | 57,788            | 71,548   | (19.23%)    |

##### (a) Current Quarter vs Preceding Year Corresponding Quarter

For the current reporting quarter, the Group's export sales in term of USD grew 19% from USD 42 million for the preceding year of the corresponding quarter to USD 50 million. The bedroom and sofa sets were the main contributors for the increase whereas there was a slight decrease in revenue for the dining and office furniture. As a result of the drop in local sales by 2.3% net increase in sales was 17.26% only. The USD exchange rate for 4<sup>th</sup> quarter 2018 averaged at 4.16 which was about the same level as 4<sup>th</sup> quarter 2017 at 4.15.

The Group's profit before tax achieved was 44% higher compared to the previous year corresponding period. The increase was mainly due to increase in sales and lower operating cost in 4<sup>th</sup> quarter 2018 compared to 4<sup>th</sup> quarter 2017. In 2017, PPE and biological assets written off and impaired amounted to 4.6 million and foreign exchange loss recorded RM3.2 million.

##### (b) Current Year to Date vs Preceding Financial Year Corresponding Period

For the current year, the Group achieved growth in export sales of 21% from USD 158 million in 2017 to USD 192 million. However due to the strengthening of RM against USD by 6% (2018:4.03, 2017:4.28) and decreased in local sales, overall, the Group's revenue only at 12%. Despite the increase in sales, however, the Group's profit before tax decreased 20% due to higher operating costs and strengthening of RM against USD.

## LII HEN INDUSTRIES BHD (Company No: 301361-U)

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### 17 Variation of Results Against Preceding Quarter

| Description                                                     | 4th Qtr 2018<br>RM'000 | 3rd Qtr 2018<br>RM'000 | Changes |        |
|-----------------------------------------------------------------|------------------------|------------------------|---------|--------|
|                                                                 |                        |                        | RM'000  | %      |
| Revenue                                                         | 216,815                | 200,233                | 16,582  | 8.28%  |
| Profit before tax                                               | 24,865                 | 20,496                 | 4,369   | 21.32% |
| Profit after tax                                                | 21,606                 | 15,830                 | 5,776   | 36.49% |
| Profit attributable to Ordinary<br>Equity Holders of the Parent | 21,496                 | 15,267                 | 6,229   | 40.80% |

Revenue in current period increased 8% compared to the immediate preceding quarter mainly due to the increase in export sales by 6.4% from USD 47 million to USD 50 million and slight appreciation of USD against RM by 2% (4th Qtr 2018 :4.16; 3<sup>rd</sup> Qtr 2018: 4.08).

With the operating cost maintained at relatively constant level and stronger USD compared to the immediate preceding quarter, the fourth quarter's profit before tax increased 21%. The lower effective tax rate in the current quarter of 13% was due to certain export tax allowance claimed.

### 18. Current year prospects

The global expansion momentum has weakened and the global economy is projected to grow at 3.5% in 2019. The global economic growth forecast had been revised downward partly due to the negative effects of trade war between the United States and China. President of United States might extend a March 1 deadline and keep tariffs on Chinese goods from rising. The global market sentiments continue to vacillate with the extent of the potential progress pertaining to the resolution of the trade war between the two economic superpowers. However, despite the uncertainties on the global economy and trade scenario, the Board of Directors of Lii Hen Industries Bhd ("Board") is generally positive towards the prospect of 2019.

In the local front, the Group continues to face challenges in the management of production costs and availability of workforce that may impact on 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 Board is cautiously optimistic that the Group will remain profitable for the new financial year of 2019.

### 19. Profit forecast

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

## LII HEN INDUSTRIES BHD (Company No: 301361-U)

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### 20. Taxation

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

|                                 | Current Quarter<br>RM'000 | Year to Date<br>RM'000 |
|---------------------------------|---------------------------|------------------------|
| Current taxation                |                           |                        |
| - provision for the period      | 3,071                     | 14,460                 |
| - over provision of prior years | -                         | -                      |
| - deferred taxation             | 187                       | 608                    |
|                                 | <u>3,258</u>              | <u>15,068</u>          |

The lower effective tax rate was due to certain tax incentives claimed in certain subsidiary companies.

### 21. Group Borrowings and Debt Securities

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

|                     | 4 <sup>th</sup> Quarter 2018 (RM'000) | 4th Quarter 2017 (RM'000) |
|---------------------|---------------------------------------|---------------------------|
| <b>Short Term</b>   |                                       |                           |
| Overdraft           | -                                     | 4,708                     |
| Bankers' acceptance | 24,963                                | 27,928                    |
| Term loans          | 2,561                                 | 1,968                     |
| Hire purchase       | 239                                   |                           |
| Total               | 27,763                                | 34,604                    |
| <b>Long Term</b>    |                                       |                           |
| Term loans          | 1,489                                 | 3,836                     |
| Hire purchase       | -                                     | -                         |
| Total borrowings    | 29,252                                | 38,440                    |

The loans and bank borrowings are secured and denominated in Ringgit Malaysia. The weighted average floating interest rates ranged from 4.05% to 4.28%.

### 22. Financial Instruments - derivatives

As at 31 December 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<br>Value(RM'000) | Fair<br>Value(RM'000) | Changes in Fair<br>Value(RM'000) |
|------------------------------------|---------------------------|-----------------------|----------------------------------|
| US Dollar – less than 1 year       | 9,337                     | 9,283                 | 54                               |

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.

**LII HEN INDUSTRIES BHD (Company No: 301361-U)**

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**23. Other Operating Income/(expenses)**

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

|                                                            | Current Quarter<br>31 December |                | Year to Date<br>31 December |                |
|------------------------------------------------------------|--------------------------------|----------------|-----------------------------|----------------|
|                                                            | 2018<br>RM'000                 | 2017<br>RM'000 | 2018<br>RM'000              | 2017<br>RM'000 |
| Foreign exchange gain/(loss)                               |                                |                |                             |                |
| -realised                                                  | (445)                          | (2,859)        | (504)                       | (6,993)        |
| -unrealised                                                | (715)                          | (717)          | (662)                       | (899)          |
| Gain/(loss) on disposal of property, plant & equipment     | 41                             | 5              | 66                          | 87             |
| Interest income                                            | 554                            | 909            | 1,962                       | 3,183          |
| Fair value gain/(loss) on derivative Financial instruments | 560                            | (282)          | 54                          | -              |
| Rental income                                              | 129                            | 98             | 534                         | 401            |
| Sundry revenue                                             | 105                            | 70             | 336                         | 295            |
| Insurance claim                                            | -                              | 5,857          | 97                          | 5,857          |
|                                                            | 229                            | 3,081          | 1,883                       | 1,931          |

**24. Operating Expenses**

The operating expenses included the following charges: -

|                                         | Current Quarter<br>31 December |                | Year to Date<br>31 December |                |
|-----------------------------------------|--------------------------------|----------------|-----------------------------|----------------|
|                                         | 2018<br>RM'000                 | 2017<br>RM'000 | 2018<br>RM'000              | 2017<br>RM'000 |
| Depreciation & amortisation             | 2,324                          | 1,843          | 8,720                       | 7,725          |
| Interest expenses                       | 154                            | 322            | 1,205                       | 1,066          |
| Property, plant & equipment written off | 8                              | 3,913          | 30                          | 3,913          |
| Biological assets written off           | -                              | -              | -                           | 1,914          |

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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 December 2018.

**26. Material Litigations**

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

**27. Dividends**

The fourth single tier dividend of 2 sen per share totaling RM3.6 million in respect of the financial year ended 31 December 2018 is declared, payable on 28 March 2019 to depositors registered in the Records of Depositors at close of business on 13 March 2019.

**28. Basic Earning per Share**

|                                              | Current Quarter<br>31 December |                | Year to Date<br>31 December |                |
|----------------------------------------------|--------------------------------|----------------|-----------------------------|----------------|
|                                              | 2018<br>RM'000                 | 2017<br>RM'000 | 2018<br>RM'000              | 2017<br>RM'000 |
| Profit attributable to owners of the Parents | 21,496                         | 15,383         | 57,789                      | 71,548         |
| Weighted average number of shares            | 180,000                        | 180,000        | 180,000                     | 180,000        |
| Basic Earning per Share (sen)                | 11.94                          | 8.55           | 32.10                       | 39.75          |

**29. Authorisation for issue**

This interim financial statements and the accompanying notes were authorised for issue by the Board of Directors in accordance with a resolution of the directors passed on 21 February 2019.

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

Tan Wang Giap, MACS 00523  
Secretary