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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | AS AT |  | AS AT |
|  |  | END OF |  | PRECEDING |
|  |  | CURRENT |  | FINANCIAL |
|  |  | QUARTER |  | YEAR ENDED |
|  |  | 31.12.2019 |  | 31.12.2018 |
|  |  | RM'000 |  | RM'000 |
| ASSETS | Note | UNAUDITED |  | AUDITED |
| **Non-current assets** |  |  |  |  |
| Property, plant and equipment |  | 191,306 |  | 184,279 |
| Investment property |  | 367 |  | 375 |
| Right- of- use assets |  | 12,959 |  | - |
| Intangible assets |  | 466 |  | 487 |
| Biological assets |  | 2,662 |  | 2,230 |
|  |  | 207,760 |  | 187,371 |
| **Current assets** |  |  |  |  |
| Inventories |  | 87,300 |  | 89,260 |
| Trade receivables |  | 56,103 |  | 67,085 |
| Other receivables |  | 11,785 |  | 15,575 |
| Tax assets |  | 303 |  | 2,709 |
| Investment security |  20 | 17,799 |  | 17,723 |
| Derivatives financial instruments at fair value | 23 | 235 |  | 54 |
| Fixed deposits with licensed banks |  | 83,060 |  | 21,604 |
| Cash and bank balances |  | 64,709 |  | 54,740 |
|  |  | 321,294 |  | 268,750 |
| **TOTAL ASSETS** |  | 529,054 |  | 456,121 |
| **EQUITY AND LIABILITIES** |  |  |  |  |
| **Equity attributable to owners of the Parent:** |  |  |  |  |
| Share capital |  | 90,000 | 90,000 |
| Reserves |  | 284,958 |  | 235,993 |
|  |  | 374,958 | 325,993 |
| Non-controlling interest |  | 1,027 | (22) |
|  |  |  |  |   |
| **TOTAL EQUITY** |  | 375,985 | 325,971 |
| **Non-current liabilities** |  |  |  |  |
| Borrowings |  22 | 994 | 2,354 |
| Lease liabilities |  | 8,560 | - |
| Deferred taxation |  | 20,257 | 19,411 |
|  |  |  |  |  |
|  |  | 29,811 | 21,765 |
| **Current Liabilities** |  |  |  |  |
| Payables |  | 94,031 | 80,662 |
| Derivatives financial instruments at fair value | 23 | - | - |
| Dividend payable |  | - | - |
| Short term borrowings | 22 | 17,131 | 26,846 |
| Lease liabilities |  | 5,264 | - |
| Provision for taxation |  | 6,832 | 877 |
|  |  |  |  |  |
|  |  | 123,258 |  | 108,385 |
| **TOTAL LIABILITIES** |  | 153,069 | 130,150 |
|  |  |  |  |  |
| **TOTAL EQUITY AND LIABILITIES** |  | 529,054 |  | 456,121 |

* **The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2018 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 4TH QUARTER ENDED 31 DECEMBER 2019**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **INDIVIDUAL QUARTER** | **CUMULATIVE QUARTER** |
|  |  | CURRENT YEAR QUARTER | PRECEDING YEAR CORRSPONDING QUARTER | CURRENT YEAR TO DATE | PRECEDING YEAR CORRESPONDING PERIOD |
|  |  | **31.12.2019** | **31.12.2018** | **31.12.2019** | **31.12.2018** |
|  | Note | RM'000 | RM'000 | RM'000 | RM'000 |
|  |  |  |  |  |  |
| **Revenue** | 9 | 227,024 | 216,815 | 836,621 | 801,218 |
| Cost of sales |  | (177,163) |  (176,615) | (660,264) | (663,492) |
| **Gross Profit** |  | 49,861 | 40,200 | 176,357 | 137,726 |
|  |  |  |  |  |  |
| Other operating income | 24 | (128) |  462 | 2,277 | 2,115 |
| Operating expenses | 25 | (20,952) | (16,445) | (71,243) | (65,704) |
|  |  |  |  |  |  |
| **Profit from operations** |  | 28,781 | 24,217 | 107,391 | 74,137 |
| Finance costs |  | (290) | (154) | (1,457) | (1,205) |
|  |  |  |  |  |  |
| **Profit before taxation** |  | 28,491 | 24,063 | 105,934 | 72,932 |
| Taxation | 21 | (7,399) | (3,268) | (26,503) | (15,079) |
|  |  |  |  |  |  |
| **Profit for the period** |  | 21,092 | 20,795 | 79,431 | 57,853 |
|  |  |  |  |  |  |
| **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** |  | 21,092 | 20,795 | 79,431 | 57,853 |
|  |  |  |  |  |  |
| **Profit attributable to: -** |  |  |  |  |  |
| Owners of the Parent |  | 21,063 | 20,872 | 78,364 | 57,163 |
| Non-controlling Interest |  | 29 | (77) | 1,067 | 690 |
|  |  | 21,092 | 20,795 | 79,431 | 57,853 |
|  |  |  |  |  |  |
| **Total comprehensive income attributable to :** |  |  |  |  |  |
| Owners of the Parent |  | 21,063 | 20,872 | 78,364 | 57,163 |
| Non-controlling Interest |  | 29 | (77) | 1,067 | 690 |
|  |  | 21,092 | 20,795 | 79,431 | 57,853 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **Earnings per share attributable to owners of the Parent (sen)** |  |  |  |  |  |
| Basic | 29 | 11.70 | 11.60 | 43.53  | 31.76 |
| Diluted |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  | 11.70 | 11.60 | 43.53 | 31.76 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

* **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 31 December 2018 and the accompanying notes attached to these audited financial statements )**

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019**

|  |  |  |  |
| --- | --- | --- | --- |
|  | ----------Attributable to owners of the Parent ------------------------ |  |  |
|  |  | Non distributable | Distributable |  | Non |  |
|  | Share | Revaluation | Retained |  | Controlling | Total |
|  | Capital | Reserve | Profit | Total | Interest | Equity |
|  | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Balance as at 1 January 2019 | 90,000 | 43,431 | 192,562 | 325,993 | (22) | 325,971 |
| Adjustment on initial application of MFRS 16 |  |  | (599) | (599)  | (18) | (617) |
| At 1 January 2019, restated |  90,000 |  43,431 | 191,963 | 325,394 | (40) | 325,354 |
| Total comprehensive income for the period  |  |  | 78,364 | 78,364 | 1,067 | 79,431 |
| Dividend paid |  |  | (28,800) | (28,800) | - | (28,800) |
|  |  |  |  |  |  |  |
| Balance as at 31 Dec 2019 | 90,000 | 43,431 | 241,527 | 374,958 | 1,027 | 375,985 |
|  |  |  |  |  |  |  |
| Balance as at 1 January 2018 | 90,000 | 27,231 | 171,542 | 288,773 | (712) | 288,061 |
| Total comprehensive income for the period |  |  | 57,163 | 57,163  | 690 | 57,853 |
| Other comprehensive income |  |  16.200 | 757 |  16,957  | - | 16,957 |
| Dividend paid |  |  | (36,900) | (36,900) | - | (36,900) |
|  |  |  |  |  |  |  |
| Balance as at 31 Dec 2018 | 90,000 | 43,431 | 192,562 | 325,993 | (22) | 325,971 |
|  |  |  |  |  |  |  |

**(The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2018 and the accompany explanatory notes to these audited financial statements)**

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR FOURTH QUARTER ENDED 31 DECEMBER 2019**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Unaudited Current Period To Date31 Dec 19 |  | Preceding Year Corresponding Period 31 Dec 18 |  |
|  | RM'000 |  | RM'000 |  |
| **Cash Flow From Operating Activities** |  |  |  |  |
| Profit before Taxation | 105,934 | 72,932 |  |
| Adjustments for :- |  |  |  |  |
| Depreciation | 15,298 | 8,701 |  |
| Amortisation of intangible assets | 19 | 19 |  |
| Bad debts written off | 2 | 33 |  |
| Interest expenses | 1,457 | 1,267 |  |
| Interest income | (2,995) | (2,010) |  |
| Fixed assets written off | 30 | 30 |  |
| Inventories written off due to fire/down to net realisbale value | - | 46 |  |
| Fair value changes of investment security | - | (21) |  |
| Fair value changes of biological asset  | - | 797 |  |
| (Gain)/Loss on disposal of property, plant and equipment | (473) | (66) |  |
| Unrealised foreign exchange loss/(gain) | 755 | 864 |  |
| Net fair value loss/(gain) on financial instruments measured at fair value | (235) | (54) |  |
|  |  |  |  |  |
| Operating profit before working capital changes | 119,792 | 82,538 |  |
| Decrease/(Increase) in inventories | 1961 | (1,106) |  |
| Decrease/(Increase) in receivables | 14,014 | 6,445 |  |
| Increase/(decrease) in payables |  13,368 | (1,860) |  |
|  |  |  |  |  |
| Cash (used in)/generated from operations | 149,135 | 86,017 |  |
| Interest paid | (1,457) | (1,268) |  |
| Income tax refund | 3,196 | - |  |
| Tax paid | (20,493) | (17,846) |  |
| Realisation of derivative financial instruments | 54 | - |  |
|  |  |  |  |  |
| Net cash from operating activities | 130,435 | 66,903 |  |
| **Cash Flow From Investing Activities** |  |  |  |  |
|  |  |  |  |  |
| Purchase of property,plant and equipment | (16,568) |  | (20,056) |  |
| Purchase/redemption of investment security | (76) |  | (17,702) |  |
| Biological assets | (431) |  | (589) |  |
| Proceeds from issue of equity from non-controlling interest | - |  | - |  |
| Proceeds from disposal of property, plant and equipment | 451 |  | 180 |  |
| Interest income | 2,995 |  | 2,000 |  |
|  |  |  |  |  |
| Net cash used in investing activities | (13,629) | (36,167) |  |
| **Cash Flow From Financing Activities** |  |  |  |  |
|  |  |  |  |  |
| Drawndown/(repayment) of Bankers’ Acceptances | (9,612) |  | (3,018) |  |
| Repayment of term loans and hire purchase creditors | (1,691) |  | (1,765) |  |
| Repayment of lease liabilities |  (5,508) |  | - |  |
| Dividend paid | (28,800) |  | (36,900) |  |
| Changes in pledged short term deposits | - |  | (88) |  |
| Drawdown of hire purchase | 230  |  | - |  |
|  |  |  |  |  |
| Net cash (used in) financing activities | (45,381) | (41,771) |  |
|  |  |  |  |  |
| Net changes in Cash and Cash Equivalents | 71,425 | (11,035) |  |
| Cash and Cash Equivalents Brought Forward | 73,500 | 84,535 |  |
|  |  |  |  | 70 |
| Cash and Cash Equivalents Carried Forward | 144,,925 | 73,500 |  |
| Cash and cash equivalents carried forward consist of :- |  | 7 |  |  |
|  |  |  |  |
| Cash and bank balances | 147,769 | 76,344 |  |
| Bank overdraft | - |  | - |  |
|  | 147,769 |  | 76,344 |  |
| Less: Fixed deposit pledged for bank facilities | (2,844) |  | (2,844) |  |
|  | 144,925 | 73,500 |  |
|  |  |  |  |  |

* **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 2018 and the accompanying explanatory notes attached to these audited financial statements)**

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

**NOTES TO THE QUARTERLY FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2019**

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 Standards 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 2018. The 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 2018.

1. **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 2018, except for the following 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 2019:

Adoption of Standards

|  |  |
| --- | --- |
| MFRS 16 | Leases |
|  |  |
| Amendments to MFRS 3 | Definition of a Business |
|  |  |
| Amendments to MFRS 101 | Definition of Material |
|  |  |
| Amendments to MFRS 108 IC Interpretation 23  | Definition of MaterialUncertainty Over Income Tax Treatments |
| -continue |  |

MFRS 16 – Leases

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model of lessees. A lessee recognizes a right-of-use assets representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short term leases and leases of low value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

As allowed by the transitional provision, the Group applies MFRS 16 with effect from 1 January 2019, using the modified retrospective approach, with no restatement of comparative information and the cumulative effect of adopting MFRS 16 is recognized as an adjustment to the opening balance of the following components at 1 January 2019:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Previously Reported | Effect of Adoption | MFRS 1601.01.2019 |
| RM’000 | RM’000 | RM’000 |
| Right -of- use assets |  |  14,204 |  14,204 |
| Lease liabilities |  - |  14,204 |  14,204 |
| Retained earnings |  192,562 |  (599) |  191,963 |
| Non-controlling interest |  (22) |  (18) |  (40) |

-continue

1. **Auditors’ Report on Preceding Annual Financial Statements**

There was no qualification to the audited financial statements of the Company and the Group for the year ended 31 December 2018.

1. **Seasonal or cyclical factors**

The principal business operations of the Group have historically shown moderate seasonality, where production and sales of furniture are generally lower in the beginning of the calendar year due to festive periods.

1. **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 2019.

1. **Material Changes in estimates**

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

1. **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 2019.

1. **Dividend Paid**

The dividends paid during the financial period were as follow: -

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Type of dividend | Dividend per share | For the year ended | Amount RM’000 | Entitlement Date | Payment Date |
| Fourth interim single tier |  2 sen | 31 .12.2018 | 3,600 | 13.03.2019 | 28.03.2019 |
| First interim single tier | 3.5 sen | 31.12.2019 | 6,300 | 13.06.2019 | 27.06.2019 |
| Final single tier  | 3 sen | 31.12.2018 | 5,400 | .05.07.2019 | 19.07.2019 |
| Second interim single tier | 3.5 sen | 31.12.2019 | 6,300  | 12.09.2019 | 27.09.2019 |
| Third interim single tier | 4.0 sen | 31.12.2019 | 7,200 | 12.12.2019 | 27.12.2019 |

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

-continue

1. **Segmental Reporting**

The Group has the following reportable segments: -

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Furniture Manufacturing | Plantation | Other | Group |
| **2019** | 4th Quarter | YTD | 4th Quarter | YTD | 4th Quarter | YTD | 4th Quarter | YTD |
|  | RM’000 | RM’000 | RM’000 | RM’000 | RM’000 | RM’000 | RM’000 | RM’000 |
| Revenue |
| Total revenue | 228,039 | 839,349 | - | - | 7,918 | 31,580 | 235,957 | 870,929 |
| Inter-segment revenue | (1,015) | (2,728) | - | - | (7,918) | (31,580) | (8,933) | (34,308) |
| Revenue from external customers | 227,024 | 836,621 | - | - | - | - | 227,024 | 836,621 |
|  |
| Interest income | 850 | 2,282 | - | - | 174 | 713 | 1,024 | 2,995 |
| Finance costs | (285) | (1,437) | (5) | (20) | - | - | (290) | (1,457) |
| Net finance (costs)/income | 565 | 845 | (5) | (20) | 174 | 713 | 734 | 1,538 |
|  |  |  |  |  |  |  |  |  |
| Depreciation of property, plant and equipment | 3,942 | 15,193 | 27 | 105 | - | - | 3,969 | 15,298 |
|  |  |  |  |  |  |  |  |  |
| Amortisation of intangible assets | - | - | 4 | 19 | - | - | 4 | 19 |
|  |  |  |  |  |  |  |  |  |
| Segment profit/(loss) before tax | 28,601 | 106,197 | (66) | (292) | (44) | 29 | 28,491 | 105,934 |
|  |  |  |  |  |  |  |  |  |
| Additions to non-current assets | 4,580 | 16,566 | 120 | 431 | - | 2 | 4700 | 16,999 |
|  |  |  |  |  |  |  |  |  |
| Segment assets |  | 504,743 |  | 4,854 |  | 19,457 |  | 529,054 |
|  |  |  |  |  |  |  |  |  |
| Segment liabilities |  | 152,460 |  | 354 |  | 256 |  | 153,070 |
|  |  |  |  |  |  |  |  |  |

-continue

The Group has the following reportable segments: -

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2018 | Furniture Manufacturing | Plantation | Other | Group |
|  |  |  |  |  |
|  | 4th Quarter | YTD | 4th Quarter | YTD | 4th Quarter | YTD | 4th Quarter | YTD |
|  | RM’000 | RM’000 | RM’000 | RM’000 | RM’000 | RM’000 | RM’000 | RM’000 |
| Revenue |  |  |  |  |  |  |  |  |
| Total Revenue | 217,279 | 802,990 | - | - | 6,300 | 36,900 | 223,579 | 839,890 |
| Inter-segment revenue |  (464) | (1,772) | - | - | (6,300) | (36,900) | (6,764) | (38,672) |
| Revenue from external customers | 216,815 | 801,218 | - | - | - | - | 216,815 | 801,218 |
|  |  |  |  |  |  |  |  |  |
|  |  |
| Interest income | 382 | 1,125 | - | - | 220 | 885 | 602 | 2,010 |
| Finance cost | (216) | (1,267) | - | - | - | - | (216) | (1,267) |
| Net finance (costs)/income | 166 | (142) | - | - | 220 | 885 | 386 | 743 |
|  |  |  |  |  |  |  |  |  |
| Depreciation of property, plant and equipment | 2,295 | 8,609 | 25 | 92 | - | - | 2,220 | 8.701 |
|  |  |  |  |  |  |  |  |  |
| Amortisation of intangible assets | - | - | 5 | 19 | - | - | 5 | 19 |
|  |  |  |  |  |  |  |  |  |
| Segment profit/(loss) before tax | 25,601 | 74,372 | (1,538) | (1,652) | - | 212 | 24,063 | 72,932 |
|  |  |  |  |  |  |  |  |  |
| Additions to non-current assets | 1,516 | 20,056 | 269 | 589 | - | - | 1,785 | 20,645 |
|  |  |  |  |  |  |  |  |  |
| Segment assets |  | 427,350 |  | 4,551 |  | 24,220 |  | 456,121 |
|  |  |  |  |  |  |  |  |  |
| Segment liabilities |  | 129,809 |  | 191 |  | 150 |  | 130,150 |

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

-continue

The analysis of the furniture manufacturing segment can be further analysed into the following geographical segments: -

|  |  |  |
| --- | --- | --- |
|  | Current Quarter | Year to Date |
|  | 31 Dec | 31 Dec |
|  | 2019 | 2018 | 2019 | 2018 |
|  | RM’000 | RM’000 | RM’000 | RM’000 |
| Africa | 800 | 677 | 2,436 | 3,396 |
| America | 176,358 | 165,995 | 655,024 | 628,660 |
| Asia | 42,192 | 36,265 | 148,237 | 130,762 |
| Australia | 766 | 2,457 | 3,129 | 5,602 |
| Europe | 207 | 146 | 2,153 | 1,968 |
| Malaysia | 6,701 | 11,275 | 25,642 | 30,830 |
|  | ------------------------------------------------------- |
|  | 227,024 | 216,815 | 836,621 | 801,218 |
|  | ================================= |

There were three (3) major customers with revenue equalling or exceeding 10% of the Group’s total revenue for the current quarter.

1. **Valuation of property, plant and equipment**

The carrying value of properties which was revalued in 2018 has been brought forward from the previous financial statements and there were no valuations of properties, plant and equipment for period ended 31 December 2019.

1. **Material events subsequent to the end of the period**

There were no material events subsequent to 31 December 2019.

1. **Changes in the composition of the Group**

There were no changes in the composition of the Group for the period ended 31 December 2019.

1. **Changes in contingent liabilities**

There were no contingent liabilities as at the date of this report.

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

-continue

1. **Capital Commitment**

There was no capital commitment incurred in the interim financial report as at 31 December 2019.

1. **Recurring Related Party Transactions**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Subsidiaries of the Company  | Transacting Parties | Relationship | Nature of Transactions | Current Quarter Ended 31.12.19 | Cumulative Quarter Ended31.12.19 |
| Favourite Design Sdn Bhd | Double Soon Huat Enterprise | A company in which Chua Yong Haup is a connected person | Provide subcontract services | RM 601,921 | RM 2,311,689 |
| Favourite Design Sdn Bhd | NNST Capital Sdn Bhd | A company in which Tan Bee Eng has interest | Renting of building | RM 72,090 | RM 276,120 |
|  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 | RM 62,813 | RM 222,281 |
| LSG Furniture Sdn Bhd | Hong Tat Sofa Enterprise | A company in which Sia Chee Shong is a connected person | Provide subcontract services | RM 110,023 | RM 338,567 |
| LSG Furniture Sdn Bhd | Chuan Yie Furniture Sdn Bhd | A company in which Koh Ben Guan has interest | Provide subcontract services | RM 158,472 | RM 609,888 |
| EF Furniture Sdn Bhd | T Fields Trading | A company in which Tan Bee Eng is a connect person | Provide printing services | RM261,356 | RM261,356 |

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

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**ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS**

**16. Review of Performance of the Group**

Financial review for current quarter and financial year to date is tabulated below: -

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Individual Period (4th Quarter) | Changes (%) | Cumulative Period | Changes (%) |
| 31.12.19 | 31.12.18 |  | 31.12.19 | 31.12.18 |  |
| RM’000 | RM’000 |  | RM’000 | RM’000 |  |
| Revenue | 227,024 | 216,815 | 4.71% | 836,621 |  801,218 | 4.42% |
| Profit before tax | 28,491 |  24,063 | 18.40% | 105,934 |  72,932 | 45.25% |
| Profit after tax | 21,092 |  20,795 | 1.43% | 79,431 |  57,853 | 37.30% |
| Profit attributable to Ordinary Equity of the Parent | 21,063 |  20,872 | 0.91% | 78,364 |  57,163 | 37.09% |

1. Current Quarter vs Preceding Year Corresponding Quarter

The Group’s revenue rose 4.71% compared to the preceding year corresponding quarter. This increase was mainly due to the increase in demand, particularly in the panel products and sofa set. The average USD conversion rate for the current quarter stood relatively the same as compared to the corresponding period (2019: 4.1578; 2018: 4.1646).

The ongoing improvement in the area of material handling in the manufacturing process had improved the Group’s gross profit margin from 19% of the preceding year corresponding quarter to 22% in the current quarter. Hence with the increase in revenue and cost control measures, the Group’s profit before tax increased 18.40% from RM24.06 million of the preceding year corresponding quarter to RM28.49 million.

1. Current Year to Date vs Preceding Financial Year Corresponding Period

The Group’s turnover for the current year rose 4.42% from RM801 million in the preceding year to RM837 million. The Group recorded profit before tax of RM106 million, an increase of 45.25% compared to the preceding period of RM72.9 million. The disproportionate increase in profit before tax vis -a -vis the marginal increase in revenue was largely due to the stringent cost control measures employed during the current year, coupled with the increase in export sales and appreciation of USD against RM.

* continue

**17** **Variation of Results Against Preceding Quarter**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Description | 4th Qtr 2019 | 3rd Qtr 2019 | Changes |  |
|  | RM’000 | RM’000 | RM’000 | % |
| Revenue | 227,024 | 212,497 | 14,527 | 6.84% |
| Profit before tax | 28,491 | 29,737 | (1,246) | (4.19%) |
| Profit after tax | 21,092 | 22,450 | (1,358) | (6.05%) |
| Profit attributable to Ordinary | 21,063 | 21,832 | (769) | (3.52%) |
| Equity Holders of the Parent |  |  |  |  |  |

Revenue in the current quarter increased by 6.84% compared to the immediate preceding quarter mainly due to the increase in export sales especially in bedding products and dining set. The average USD against RM was maintained at relatively the same level as compared to immediate preceding quarter (4th Qtr 2019 :4.1578; 3rd Qtr 2019: 4.1594).

Despite higher turnover, the Group’s profit before tax registered at RM28.49 million, which was 4.19% lower compared to RM 29.74 million of the immediate preceding quarter due to higher provision of incentive and bonus in current quarter.

1. **Current year prospects**

The effects of a global slowdown and trade uncertainty were abated in the beginning of this year after a first phase US-China trade deal was reached and greater clarity on Britain’s exit from the European Union. However the recent outbreak of the novel coronavirus or Covid-19 has posed a new threat to global growth as the prolonged production shutdowns of factories in China will cause destructive to supply chain, industrial production and global trade flows.

The Group sources some materials from China. At this juncture, sufficient stocks are kept for the first quarter 2020 while efforts are being made to mitigate any disruption to supply of certain raw materials.

On 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 market position, expand customer base and simultaneously continue to adopt an effective cost management stance. With a better controllable cost structure and wider sales market base, the Board is of the view that the Group will remain profitable for the year of 2020.

1. **Profit forecast**

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

* Continue

 20 **Investment security**

This comprises placement with a licensed commercial bank for investment in unit trust.

1. **Taxation**

Taxation charge for the quarter and year to date comprise:

|  |  |  |
| --- | --- | --- |
|  | Current Quarter31.12.2019RM’000 | Year to Date31.12.2019RM’000 |
| Current taxation |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| - provision for the period | 7,151 |  | 25,734 |  |
|  |  |  |  |  |  |  |  |  |
| - over provision of prior years | (68) |  |  | (76) |  |  |
| - deferred taxation |  |  316 | 845 |
|  |  |  |  |  |  |  |
|  | 7,399 |  | 26,503 |  |
|  |  |  |  |  |  |  |  |  |

The higher effective tax rate was due to certain disallowable expenses for tax purposes in certain subsidiary companies.

1. **Borrowings and Debt Securities**

The Group's borrowings as at end of the reporting quarters were as follows:

|  |  |  |
| --- | --- | --- |
|  | 4th Quarter 2019 (RM’000) | 4th Quarter 2018 (RM’000) |
| **Short Term** |  |  |
| Overdraft | - | - |
| Bankers’ acceptances | 15,298 | 24,911 |
| Term loans | 1,769 | 1,912 |
| Hire purchase  | 64 | 23 |
| Total | 17,131 | 26,846 |
| **Long Term** |  |  |
| Term loans | 616 | 2,138 |
| Hire purchase | 378 | 216 |
|  Total | 994 | 2,354 |
| Grand Total  | 18,125 | 29,200 |

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%. (2018: 3.28% to 4.7%) per annum.

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|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **23.** | **Financial Instruments - derivatives** |  |  |  |
|  | As at 31 December 2019, 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 | Fair | Changes in Fair |
|  |  | Value(RM’000) | Value(RM’000) | Value(RM’000) |
|  | US Dollar – less than l year | 12,734 | 12,499 | 235 |

.

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)**

-continue

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **24**. | **Other Operating Income/(expenses)** |  |  |  |  |  |
|  | Other operating income/(expenses) comprise the following:  |  |  |  |
|  |  |  | Current Quarter | Year to Date |  |
|  |  |  | 31 December | 31 December |
|  |  |  | 2019 | 2018 | 2019 |  | 2018 |
|  |  |  | RM’000 | RM’000 | RM’000 |  | RM’000 |
| Foreign exchange gain/(loss) |  |  |  |  |  |  |
| -realised |  | (1,485) |  (190) |  (2,353) |  |  (249) |
| -unrealised |  |  (693) |  (917) |  (755) |  |  (864) |
| Gain/(loss) on disposal of property, plant |  |  91 |  41 |  473 |  |  66 |
| & equipment |  |  |  |  |  |  |
| Interest income |  |  1,024 |  602 |  2,995 |  | 2,010 |
|  Fair value gain/(loss) on derivative Financial instruments |   |  348 | 581 | 235 | 75 |
| Rental income |   | 398 |  129 |  1,141 |   | 534 |
| Sundry revenue |  |  189 |  216 |  541 |  | 446 |
| Insurance claim |  | - |  - | - |  |  97 |
|  |  |  | (128) |  462 | 2,277 |  | 2,115 |

**25. Operating Expenses**

 The operating expenses include the following charges:

|  |  |  |
| --- | --- | --- |
|  | Current Quarter | Year to Date |
|  | 31 December | 31 December |
|  | 2019 | 2018 | 2019 | 2018 |
|  | RM’000 | RM’000 | RM’000 | RM’000 |
| Depreciation & amortisation | 3,973 | 2,225 | 15,317 | 8,720 |
| Interest expenses | 290 | 216 | 1,457 | 1,267 |
| Property, plant & equipment written off | - | 8 | 30 | 30 |
| Biological assets written off | - | 797 | - | 797 |

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

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**26. Off Balance Sheet Financial Instruments**

Save as disclosed in Note 23 above, the Group did not have any financial instruments with off balance sheet risk as at 31 December 2019.

**27. Material Litigations**

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

**28. Dividends**

The Board of Directors declared the payment of a fourth single tier dividend of 4.5 sen per share totalling RM8.1 million in respect of the financial year ending 31 December 2019 is declared, payable on 31 March 2020 to depositors registered in the Records of Depositors at close of business on 17 March 2020.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **29**. | **Basic Earnings per Share** |  |  |  |  |
|  |  | Current Quarter | Year to Date |
|  |  |  |  |
|  |  |  31 December |  | 31 December |
|  |  | 2019 | 2018 | 2019 | 2018 |
|  |  | RM’000 | RM’000 | RM’000 | RM’000 |
|  | Profit attributable to owners of the Parents | 21,063 |  20,872 | 78,364 |  57,163 |
|  | Weighted average number of shares(‘000)  | 180,000 | 180,000 | 180,000 | 180,000 |
|  | Basic Earnings per Share (sen)  | 11.70 |  11.60 |  43.53 | 31.76 |

**30. Authorisation for issue**

These interim financial statements and the accompanying notes were authorised for issue by the Board of Directors.

For and on behalf of the Board

Lii Hen Industries Bhd.

Pang Kah Man, MIA 18831

Company Secretary