

**LII HEN INDUSTRIES BHD (Company No: 199401015681/301361-U)**

The Board of Directors is pleased to announce the following: -

**UNAUDITED RESULTS OF THE GROUP FOR THE SECOND QUARTER ENDED 30 JUNE 2023**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2023**

|  | Note | INDIVIDUAL QUARTER                           |  | CUMULATIVE QUARTER                           |   |
|--|------|--|--|--|---|
|  |      | CURRENT YEAR QUARTER<br>30.06.2023<br>RM'000 | PRECEDING YEAR CORRESPONDING QUARTER<br>30.06.2022<br>RM'000 | CURRENT YEAR-TO-DATE<br>30.06.2023<br>RM'000 | PRECEDING YEAR CORRESPONDING PERIOD<br>30.06.2022<br>RM'000 |
| <b>Revenue</b>   | 9    | 168,221                                      | 186,983  | 319,015                                      | 428,913   |
| Cost of sales  |      | (136,306)                                    | (150,332)  | (255,011)                                    | (349,805)   |
| <b>Gross Profit</b>  |      | 31,915                                       | 36,651   | 64,004                                       | 79,108  |
| Other operating income/(expenses)  | 23   | 5,311  | 4,644  | 7,061  | 6,453   |
| Operating expenses   | 24   | (18,023)                                     | (16,835)   | (33,219)                                     | (35,044)  |
| <b>Profit from operations</b>  |      | 19,203                                       | 24,460   | 37,846                                       | 50,517  |
| Finance costs  |      | (291)  | (286)  | (593)  | (588)   |
| <b>Profit before taxation</b>  |      | 18,912                                       | 24,174   | 37,253                                       | 49,929  |
| Taxation   | 20   | (4,579)                                      | (6,114)  | (8,868)                                      | (12,205)  |
| <b>Profit for the period</b>   |      | 14,333                                       | 18,060   | 28,385                                       | 37,724  |
| <b>Other comprehensive income for the period, net of tax item that will not be reclassified subsequently to profit or loss</b> |      |  |  |  |   |
| Revaluation surplus on property, plant and equipment   |      | -  | -  | -  | -   |
| <b>Total comprehensive income for the period</b>   |      | 14,333                                       | 18,060   | 28,385                                       | 37,724  |
| <b>Profit/(Loss) attributable to:</b>  |      |  |  |  |   |
| Owners of the Parent   |      | 14,121                                       | 17,802   | 27,902                                       | 36,776  |
| Non-Controlling Interest   |      | 212  | 258  | 483  | 948   |
|  |      | 14,333                                       | 18,060   | 28,385                                       | 37,724  |
| <b>Total comprehensive income attributable to:</b>   |      |  |  |  |   |
| Owners of the Parent   |      | 14,121                                       | 17,802   | 27,902                                       | 36,776  |
| Non-Controlling Interest   |      | 212  | 258  | 483  | 948   |
|  |      | 14,333                                       | 18,060   | 28,385                                       | 37,724  |
| <b>Earnings per share attributable to owners of the Parent (sen)</b>   |      |  |  |  |   |
| Basic(*)   | 28   | 2.62   | 3.30*  | 5.17   | 6.81*   |
| Diluted  |      | -  | -  | -  | -   |
|  |      | 2.62   | 3.30*  | 5.17   | 6.81*   |

\* Based on the enlarged share capital of 539,999,964 shares after the Proposed Bonus Issue on 1 July 2022.

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 2022 and the accompanying notes as attached.

LII HEN INDUSTRIES BHD (Company No: 199401015681/301361-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

| ASSETS  | Note | AS AT<br>END OF<br>CURRENT<br>QUARTER<br><b>30.06.2023</b><br>RM'000<br>UNAUDITED | AS AT<br>PRECEDING<br>FINANCIAL<br>YEAR ENDED<br>31.12.2022<br>RM'000<br>AUDITED |
|---|------|---|--|
| <b>Non-current assets</b>                           |      |   |  |
| Property, plant and equipment                       |      | 214,972   | 219,185  |
| Investment property                                 |      | 339   | 343  |
| Right-of-use assets                                 |      | 11,395  | 15,198   |
| Biological assets                                   |      | 5,356   | 5,219  |
|   |      | <u>232,062</u>  | <u>239,945</u>   |
| <b>Current assets</b>                               |      |   |  |
| Inventories   |      | 93,636  | 95,871   |
| Trade receivables                                   |      | 67,479  | 55,152   |
| Other receivables                                   |      | 10,633  | 15,905   |
| Tax assets  |      | 1,030   | 209  |
| Derivatives financial instruments at fair value     | 22   | -   | 13   |
| Fixed deposits with licensed banks                  |      | 159,835   | 143,359  |
| Cash and bank balances                              |      | 55,362  | 75,487   |
|   |      | <u>387,975</u>  | <u>385,996</u>   |
| <b>TOTAL ASSETS</b>                                 |      | <u>620,037</u>  | <u>625,941</u>   |
| <b>EQUITY AND LIABILITIES</b>                       |      |   |  |
| <b>Equity attributable to owners of the Parent:</b> |      |   |  |
| Share capital                                       |      | 90,000  | 90,000   |
| Reserves  |      | 402,350   | 398,208  |
|   |      | <u>492,350</u>  | <u>488,208</u>   |
| Non-controlling interest                            |      | 6,191   | 5,952  |
| <b>TOTAL EQUITY</b>                                 |      | <u>498,541</u>  | <u>494,160</u>   |
| <b>Non-current liabilities</b>                      |      |   |  |
| Borrowings  | 21   | 14,052  | 14,375   |
| Lease liabilities                                   |      | 6,743   | 8,651  |
| Deferred taxation                                   |      | 20,353  | 20,056   |
|   |      | <u>41,148</u>   | <u>43,082</u>  |
| <b>Current Liabilities</b>                          |      |   |  |
| Payables  |      | 64,274  | 70,311   |
| Derivatives financial instruments at fair value     | 22   | 650   | -  |
| Dividend payable                                    |      | -   | -  |
| Short-term borrowings                               | 21   | 2,526   | 3,032  |
| Lease liabilities                                   |      | 4,468   | 6,330  |
| Provision for taxation                              |      | 8,430   | 9,026  |
|   |      | <u>80,348</u>   | <u>88,699</u>  |
| <b>TOTAL LIABILITIES</b>                            |      | 122,654   | 131,781  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                 |      | <u>620,037</u>  | <u>625,941</u>   |

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 2022 and the accompanying explanatory notes as attached.

**LII HEN INDUSTRIES BHD (Company No: 199401015681/301361-U)****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2023**

|   | -----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 2023              | 90,000  | 40,030  | 358,178                                       | 488,208         | 5,952                                     | 494,160                   |
| Total comprehensive income for the period |   |   | 27,902  | 27,902          | 483                                       | 28,385                    |
| Dividend paid                             |   |   | (23,760)                                      | (23,760)        | (244)                                     | (24,004)                  |
| Balance as at 30 June 2023                | <u>90,000</u>                                   | <u>40,030</u>   | <u>362,320</u>                                | <u>492,350</u>  | <u>6,191</u>                              | <u>498,541</u>            |
| Balance as at 1 January 2022              | 90,000  | 40,787  | 309,728                                       | 440,515         | 5,391                                     | 445,906                   |
| Total comprehensive income for the period |   |   | 74,801  | 74,801          | 1,414                                     | 76,215                    |
| Transfer between reserves                 |   | (757)   | 757   | -               | -   | -                         |
| Dividend paid                             |   |   | (27,108)                                      | (27,108)        | (853)                                     | (27,961)                  |
| Balance as at 31 December 2022            | <u>90,000</u>                                   | <u>40,030</u>   | <u>358,178</u>                                | <u>488,208</u>  | <u>5,952</u>                              | <u>494,160</u>            |

**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 2022 and the accompanying explanatory notes as attached.**

**LII HEN INDUSTRIES BHD (Company No: 199401015681/301361-U)**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR PERIOD ENDED 30 JUNE 2023**

|  | Unaudited<br>Current Period-<br>To-Date<br><b>30 June 23</b><br>RM'000 | Audited<br>Preceding Year<br>Ended<br>31 Dec 22<br>RM'000 |
|--|--|---|
| <b>Cash Flow From Operating Activities</b>                                 |  |   |
| Profit before Taxation   | 37,253   | 101,721   |
| Adjustments for:   |  |   |
| Depreciation and amortization of property, plant and equipment             | 6,118  | 11,990  |
| Depreciation on Right-of-Use assets  | 3,312  | 7,140   |
| Inventories written down to net realisable value                           | -  | 2,215   |
| Interest expenses  | 593  | 985   |
| Interest income  | (3,087)  | (2,765)   |
| Gain on remeasurement and derecognition of right-of -use assets            | (17)   | (52)  |
| Fair value changes of biological assets                                    | -  | (531)   |
| (Gain)/Loss on disposal of property, plant and equipment                   | (197)  | (11)  |
| Unrealised foreign exchange (gain) /loss                                   | (785)  | 679   |
| Net fair value loss/(gain) on financial instruments measured at fair value | 650  | (13)  |
| Fixed assets written off   | 14   | 23  |
| Intangible assets written off  | -  | 1   |
|  | <u>43,854</u>  | <u>121,382</u>  |
| Operating profit before working capital changes                            |  |   |
| Decrease in inventories  | 2,235  | 53,790  |
| (Increase)/decrease in receivables   | (6,270)  | 527   |
| Decrease in payables   | (6,037)  | (27,129)  |
|  | <u>33,782</u>  | <u>148,570</u>  |
| Cash generated from operations   |  |   |
| Interest paid  | (593)  | (985)   |
| Tax paid   | (9,988)  | (15,158)  |
| Tax refunded   | -  | 3,273   |
| Realisation of derivative financial instruments                            | 13   | 344   |
| Net cash from operating activities   | <u>23,214</u>  | <u>136,044</u>  |
| <b>Cash Flow from Investing Activities</b>                                 |  |   |
| Purchase of property, plant and equipment                                  | (1,943)  | (25,368)  |
| Payment for biological assets  | (137)  | (244)   |
| Proceeds from disposal of property, plant and equipment                    | 224  | 11  |
| Interest income  | 3,087  | 2,670   |
|  | <u>1,231</u>   | <u>(22,931)</u>   |
| Net cash from/(used in) investing activities                               |  |   |
| <b>Cash Flow from Financing Activities</b>                                 |  |   |
| Net changes in bankers' acceptances  | (424)  | (20,136)  |
| Repayment of term loans and hire purchase creditors                        | (992)  | (1,920)   |
| Repayment of lease liabilities   | (3,261)  | (7,079)   |
| Dividend paid  | (23,760)   | (27,108)  |
| Changes in pledged short-term deposits                                     | -  | (55)  |
| Term loan draw-down  | 587  | 12,562  |
| Dividend paid to non-controlling interest                                  | (244)  | (853)   |
|  | <u>(28,094)</u>  | <u>(44,589)</u>   |
| Net cash used in financing activities                                      |  |   |
| Net changes in Cash and Cash Equivalents                                   | <u>(3,649)</u>   | <u>68,524</u>   |
| Cash and Cash Equivalents Brought Forward                                  | 216,252  | 147,728   |
| Cash and Cash Equivalents Carried Forward                                  | <u>212,603</u>   | <u>216,252</u>  |
| Cash and cash equivalents carried forward consist of:                      |  |   |
| Cash and bank balances   | 215,197  | 218,846   |
| Bank overdraft   | -  | -   |
|  | <u>215,197</u>   | <u>218,846</u>  |
| Less: Fixed deposit pledged for bank facilities                            | (2,594)  | (2,594)   |
|  | <u>212,603</u>   | <u>216,252</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 2022 and the accompanying explanatory notes as attached.**

**NOTES TO THE QUARTERLY CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023**

**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 2022. 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 2022.

**2. Significant Accounting Policies**

The significant accounting policies adopted by the Group in these interim financial statements are consistent with those of the last audited financial statements for the financial year ended 31 December 2022, except for the adoption of the following Amendments to Malaysian Financial Reporting Standards (“MFRSs”) for the financial periods beginning on or after 1 January 2023:

(a) Adoption of amendments to MFRSs

- |            |  |
|------------|--|
| - MFRS 101 | Disclosure of Accounting Policies  |
| - MFRS 108 | Disclosure of Accounting Estimates   |
| - MFRS 112 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

The adoption of the above-mentioned amendments did not have any significant impact on the financial statements of the Group for the quarter under review.

(b) Amendments to MFRSs issued but not yet effective and not early adopted by the Group are as listed below:

- |            |   |
|------------|---|
| - MFRS 16  | Lease Liabilities in a Sale and Leaseback               |
| - MFRS 101 | Non-Current Liabilities with Covenants                  |
| - MFRS 101 | Classification of Liabilities as Current or Non-current |

It is anticipated that the adoption of the above-mentioned amendments will not have any significant impact on the financial statements of the Group.

### 3. 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 2022.

### 4. 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.

### 5. Items of Unusual Nature

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows for the financial period ended 30 June 2023.

### 6. 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.

### 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 30 June 2023.

### 8. 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 |
|---------------------------|--------------------|--------------------|---------------|------------------|--------------|
| Four interim single-tier  | 1.1 sen            | 31.12.2022         | 5,940         | 09.03.2023       | 24.03.2023   |
| Special single-tier       | 2.0 sen            | 31.12.2022         | 10,800        | 09.03.2023       | 24.03.2023   |
| First interim single-tier | 1.3 sen            | 31.12.2023         | 7,020         | 15.06.2023       | 27.06.2023   |

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## 9. Segmental Reporting

The Group has the following reportable segments:

| 2023  | Furniture Manufacturing |         | Plantation  |        | Other       |          | Group       |          |
|---|-------------------------|---------|-------------|--------|-------------|----------|-------------|----------|
|   | 2nd Quarter             | YTD     | 2nd Quarter | YTD    | 2nd Quarter | YTD      | 2nd quarter | YTD      |
|   | RM'000                  | RM'000  | RM'000      | RM'000 | RM'000      | RM'000   | RM'000      | RM'000   |
| Revenue   |                         |         |             |        |             |          |             |          |
| Total revenue   | 169,348                 | 320,632 | -           | -      | 7,871       | 25,506   | 177,219     | 346,138  |
| Inter-segment revenue   | (1,127)                 | (1,617) | -           | -      | (7,871)     | (25,506) | (8,998)     | (27,123) |
| Revenue from external customers                                       | 168,221                 | 319,015 | -           | -      | -           | -        | 168,221     | 319,015  |
| Interest income   | 1,412                   | 2,735   | -           | -      | 176         | 352      | 1,588       | 3,087    |
| Finance costs   | (287)                   | (585)   | (4)         | (8)    | -           | -        | (291)       | (593)    |
| Net finance (costs)/income  | 1,125                   | 2,150   | (4)         | (8)    | 176         | 352      | 1,297       | 2,494    |
| Depreciation of property, plant and equipment and right-of-use assets | 4,664                   | 9,364   | 33          | 66     | -           | -        | 4,697       | 9,430    |
| Segment profit/(loss) before tax                                      | 19,034                  | 37,484  | (80)        | (145)  | (42)        | (86)     | 18,912      | 37,253   |
| Additions to non-current assets                                       | 1,049                   | 1,943   | 88          | 137    | -           | -        | 1,137       | 2,080    |
| Segment assets  |                         | 595,517 |             | 7,224  |             | 17,296   |             | 620,037  |
| Segment liabilities   |                         | 121,182 |             | 308    |             | 6        |             | 121,496  |

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The Group has the following reportable segments:

| 2022  | Furniture Manufacturing |               | Plantation                        |               | Other                 |               | Group                 |               |
|---|-------------------------|---------------|-----------------------------------|---------------|-----------------------|---------------|-----------------------|---------------|
|   | 2nd Quarter<br>RM'000   | YTD<br>RM'000 | 2 <sup>nd</sup> Quarter<br>RM'000 | YTD<br>RM'000 | 2nd Quarter<br>RM'000 | YTD<br>RM'000 | 2nd Quarter<br>RM'000 | YTD<br>RM'000 |
| Revenue   |                         |               |                                   |               |                       |               |                       |               |
| Total Revenue   | 187,648                 | 430,342       | -                                 | -             | 8,343                 | 15,472        | 195,991               | 445,814       |
| Inter-segment revenue   | (665)                   | (1,429)       | -                                 | -             | (8,343)               | (15,472)      | (9,008)               | (16,901)      |
| Revenue from external customers                                       | 186,983                 | 428,913       | -                                 | -             | -                     | -             | 186,983               | 428,913       |
| Interest income   | 341                     | 625           | -                                 | -             | 102                   | 183           | 443                   | 808           |
| Finance cost  | (282)                   | (580)         | (4)                               | (8)           | -                     | -             | (286)                 | (588)         |
| Net finance (costs)/income  | 59                      | 45            | (4)                               | (8)           | 102                   | 183           | 157                   | 220           |
| Depreciation of property, plant and equipment and right-of-use assets | 4,666                   | 9,158         | 32                                | 64            | -                     | -             | 4,698                 | 9,222         |
| Segment profit/(loss) before tax                                      | 24,389                  | 50,298        | (132)                             | (226)         | (83)                  | (143)         | 24,174                | 49,929        |
| Additions to non-current assets                                       | 3,803                   | 17,364        | 23                                | 77            | -                     | -             | 3,826                 | 17,441        |
| Segment assets  |                         | 572,383       |                                   | 6,526         |                       | 17,971        |                       | 596,880       |
| Segment liabilities   |                         | 127,005       |                                   | 291           |                       | 26            |                       | 127,322       |



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

|               | 2nd Quarter Ended<br>30 June |                | Year-to-Date<br>30 June      |                |
|---------------|------------------------------|----------------|------------------------------|----------------|
|               | <b>2023</b><br><b>RM'000</b> | 2022<br>RM'000 | <b>2023</b><br><b>RM'000</b> | 2022<br>RM'000 |
| Africa        | <b>575</b>                   | 105            | <b>797</b>                   | 367            |
| Asia          | <b>1,712</b>                 | 5,529          | <b>3,957</b>                 | 8,402          |
| North America | <b>159,395</b>               | 171,758        | <b>300,439</b>               | 399,277        |
| Australia     | <b>986</b>                   | 380            | <b>2,847</b>                 | 608            |
| Europe        | <b>427</b>                   | -              | <b>720</b>                   | 140            |
| Malaysia      | <b>5,126</b>                 | 9,211          | <b>10,255</b>                | 20,119         |
|               | <b>168,221</b>               | 186,983        | <b>319,015</b>               | 428,913        |

As at end of the reporting quarter, there were three (3) (2022: 2) major customers with revenue equalling to or exceeding 10% of the Group's total revenue.

#### 10. Valuation of property, plant and equipment

The carrying value of properties which were revalued in 2018 has been brought forward from the audited financial statements for the year ended 31 December 2022, and there were no revaluations of properties, plant and equipment for the period ended 30 June 2023.

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

There were no material events subsequent to 30 June 2023 and up to the date of this announcement.

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

There were no changes in the composition of the Group for the period ended 30 June 2023.

#### 13. Changes in contingent liabilities

There were no contingent liabilities as at the end of the quarter under review and the date of this report.

#### 14. Capital Commitment

Authorised capital expenditure not provided for in the interim financial report as at 30 June 2023 was as follows:

|   |            |
|---|------------|
| Authorised and contracted but not provided for: | RM'000     |
| Purchase of leasehold land                      | <u>383</u> |

## 15. Recurrent Related Party Transactions

| Subsidiaries of the Company | Transacting Parties         | Relationship  | Nature of Transactions        | Current Quarter Ended 30.06.23 RM | Cumulative Year Ended 30.06.23 RM |
|-----------------------------|-----------------------------|---|-------------------------------|-----------------------------------|-----------------------------------|
| Favourite Design Sdn Bhd    | Double Soon Huat Enterprise | A company in which Chua Yong Haup is a connected person | Provide sub-contract services | 299,734                           | 555,820                           |
| Favourite Design Sdn Bhd    | NNST Capital Sdn Bhd        | A company in which Tan Bee Eng has interest             | Renting of building           | 72,090                            | 144,180                           |
| Favourite Design Sdn Bhd    | NNST Capital Sdn Bhd        | A company in which Tan Bee Eng has interest             | Renting of building           | 74,430                            | 148,860                           |
| EF Furniture Sdn Bhd        | T Fields Trading            | A company in which Tan Bee Eng is a connected person    | Provide printing services     | 328,130                           | 477,058                           |
| CT Haup Heng Sdn Bhd        | Double Soon Huat Enterprise | A company in which Chua Yong Haup is a connected person | Provide sub-contract services | 31,555                            | 80,642                            |

The above recurrent related party transactions for the period under review were entered into based on normal commercial terms.

## 16. Review of Performance of the Group

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

|  | Individual Period (2nd Quarter) |          | Changes (%) | Cumulative Period |          | Changes (%) |
|--|---------------------------------|----------|-------------|-------------------|----------|-------------|
|  | 30.06.23                        | 30.06.22 |             | 30.06.23          | 30.06.22 |             |
|  | RM'000                          | RM'000   | RM'000      | RM'000            |          |             |
| Revenue  | <b>168,221</b>                  | 186,983  | (10%)       | <b>319,015</b>    | 428,913  | (26%)       |
| Profit before tax                                    | <b>18,912</b>                   | 24,174   | (22%)       | <b>37,253</b>     | 49,929   | (25%)       |
| Profit before tax margin (%)                         | <b>11.24</b>                    | 12.93    | (13%)       | <b>11.68</b>      | 11.64    | 0%          |
| Profit after tax                                     | <b>14,333</b>                   | 18,060   | (21%)       | <b>28,385</b>     | 37,724   | (25%)       |
| Profit attributable to Ordinary Equity of the Parent | <b>14,121</b>                   | 17,802   | (21%)       | <b>27,902</b>     | 36,776   | (24%)       |

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

The current soft market conditions adversely affected demand for the Group's products significantly. All the subsidiaries recorded lower revenue in the current quarter as compared to the preceding year corresponding quarter, especially for panel products and dining sets.

Due to the lower revenue generated and higher operating costs incurred, especially on labour-related charges, i.e., wages, sub-contractors' charges and recruitment fees, the Group's profit before tax decreased 22% as compared to the preceding year corresponding quarter.

(b) Current Year-to-Date versus Preceding Financial Year Corresponding Period

The prolonged effects from inflation, coupled with rising interest rates in the Group's traditional market, had resulted in buyers pulling back on discretionary home related spending on furniture. The sluggish demand for furniture resulted in the Group's turnover for the first half year of 2023 to decrease by 26% as compared to preceding year corresponding period.

The Group's profit before tax decreased in tandem with the decline in revenue. The gain arising from appreciation of USD against RM by 5% (2023: 4.4548, 2022:4.2473) in the current period had offset higher operating costs incurred, mainly labour-related charges, exhibitions and promotional expenses.

## 17 Variation of Results Against Preceding Quarter

| Description   | 2nd Qtr. 2023<br>RM'000 | 1 <sup>st</sup> Qtr. 2023<br>RM'000 | Changes |     |
|---|-------------------------|-------------------------------------|---------|-----|
|   |                         |                                     | RM'000  | %   |
| Revenue   | 168,221                 | 150,794                             | 17,427  | 12% |
| Profit before tax   | 18,912                  | 18,341                              | 571     | 3%  |
| Profit after tax  | 14,333                  | 14,052                              | 281     | 2%  |
| Profit attributable to Ordinary<br>Equity Holders of the Parent | 14,121                  | 13,781                              | 340     | 2%  |

For the current quarter, the Group's revenue in US dollars recorded 9% higher than that of the immediate preceding quarter, and coupled with the appreciation of USD by 2.9% (2nd qtr. 2023: 4.52; 1st qtr. 2023: 4.39), the overall Group's turnover climbed 12%.

Despite the 12% increase in revenue, the Group's profit before tax registered a mere 3% increase as compared to that of the immediate preceding quarter, mainly due to higher operating costs incurred as mentioned in Note 16(a) above.

## 18. Current year prospects

The global economy for the second half of 2023 remains weak and continues to be overshadowed by challenges and uncertainties that impact global growth. The recent weaker data on labour, coupled with milder inflation in the U.S. is not expected to sway the Fed from ending its grip on fiscal measures. As such, the tighter credit conditions may gradually weigh on growth, lead to mild global recession towards end of 2023.

On the local front, declining orders from customers and rising labour costs continue to exert pressure on the Group's operations. The Board of Directors, together with Management, being mindful of such challenges faced by the Group, remains steadfast and will exercise vigilance in decision-making to sustain business viability with the view to enhance long-term shareholder value. With a largely controllable cost structure in place, a wider market-base for the Group's products and rationalisation on the use of resources, especially available workforce, and barring any unforeseen circumstances beyond the control of the Group, the Board is of the view that the Group will remain profitable for the financial year ending 31 December 2023.

## 19. Profit forecast

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

## 20. Taxation

Taxation charge for the quarter and year-to-date comprises the following:

|  | <b>Current Quarter<br/>30.06.2023<br/>RM'000</b> | Preceding<br>Quarter<br>30.06.2022<br>RM'000 | <b>Current Year-<br/>to-Date<br/>30.06.2023<br/>RM'000</b> | Corresponding<br>Year-to-Date<br>30.06.2022<br>RM'000 |
|--|--|--|--|---|
| Current taxation   |  |  |  |   |
| - provision for the period   | <b>4,158</b>                                     | 6,084  | <b>8,571</b>   | 11,750  |
| - under-provision in prior years   | -  | 117  | -  | 117   |
| Deferred taxation - origination and reversal of temporary differences for the period | <b>421</b>                                       | <u>(87)</u>                                  | <b>297</b>   | <u>338</u>  |
|  | <b>4,579</b>                                     | 6,114  | <b>8,868</b>   | 12,205  |

The effective tax rate in relation to the Group's profit before taxation for the quarter and year-to-date under review approximates the statutory tax rate of 24%.

## 21. Borrowings and Debt Securities

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

|                      | <b>2nd Quarter Ended<br/>30.06.2023<br/>RM'000</b> | Corresponding Year-to-Date<br>31.12.2022<br>RM'000 |
|----------------------|--|--|
| <b>Short Term</b>    | <b>RM'000</b>                                      | <b>RM'000</b>                                      |
| Overdraft            | -  | -  |
| Bankers' acceptances | <b>564</b>   | 988  |
| Term loans           | <b>1,800</b>                                       | 1,883  |
| Hire purchase        | <b>162</b>   | <u>161</u>   |
| Total                | <b>2,526</b>                                       | <b>3,032</b>                                       |
| <b>Long Term</b>     |  |  |
| Term loans           | <b>13,867</b>                                      | 14,110   |
| Hire purchase        | <b>185</b>   | <u>265</u>   |
| Total                | <b>14,052</b>                                      | <b>14,375</b>                                      |
| Grand Total          | <b>16,578</b>                                      | <b>17,407</b>                                      |

The loans and bank borrowings are secured and denominated in Ringgit Malaysia. The weighted average floating interest rates charged on the borrowings ranged from 3.46% to 4.15% (2022: 2.36% to 2.80%) per annum.

## 22. Financial Instruments - derivatives

As at 30 June 2023, the foreign currency contracts which were entered by the Group to hedge against its sales in foreign currencies are as follows:

| Forward Foreign Currency Contracts | Contracts Value (RM'000) | Fair Value (RM'000) | Changes in Fair Value (RM'000) |
|------------------------------------|--------------------------|---------------------|--------------------------------|
| US Dollar – less than 1 year       | 27,041                   | 27,691              | 650                            |

Derivative financial assets and liabilities are initially recognized, 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 against its sales denominated in foreign currencies.

The forward foreign currency contracts of the Group are measured at fair value and changes in the fair value are recognized in profit or loss.

## 23. Other Operating Income/(Expenses)

Other operating income/(expenses) comprise the following:

|   | 2nd Quarter Ended 30 June |        | Year-to-Date 30 June |        |
|---|---------------------------|--------|----------------------|--------|
|   | 2023                      | 2022   | 2023                 | 2022   |
|   | RM'000                    | RM'000 | RM'000               | RM'000 |
| Foreign exchange gain                               |                           |        |                      |        |
| -realised   | <b>2,084</b>              | 3,816  | <b>2,507</b>         | 4,215  |
| -unrealised   | <b>1,848</b>              | 214    | <b>785</b>           | 650    |
| Gain on disposal of property, plant and equipment   | <b>162</b>                | 6      | <b>197</b>           | 11     |
| Gain on remeasurement of Right-of-Use assets        | <b>2</b>                  | 13     | <b>17</b>            | 39     |
| Interest income                                     | <b>1,588</b>              | 443    | <b>3,087</b>         | 808    |
| Fair value loss on derivative financial instruments | <b>(935)</b>              | (439)  | <b>(650)</b>         | (372)  |
| Fair value gain/(loss) of biological asset          | -                         | -      | -                    | -      |
| Rental income                                       | <b>343</b>                | 267    | <b>676</b>           | 612    |
| Sundry revenue                                      | <b>219</b>                | 324    | <b>442</b>           | 490    |
|   | <b>5,311</b>              | 4,644  | <b>7,061</b>         | 6,453  |

## 24. Operating Expenses

The operating expenses include the following charges:

|  | 2nd Quarter Ended |        | Year to Date |        |
|--|-------------------|--------|--------------|--------|
|  | 30 June           |        | 30 June      |        |
|  | 2023              | 2022   | 2023         | 2022   |
|  | RM'000            | RM'000 | RM'000       | RM'000 |
| Depreciation and amortization of property, plant and equipment and Right-of-Use assets | 4,697             | 4,698  | 9,430        | 9,222  |
| Interest expenses  | 291               | 286    | 593          | 588    |
| Property, plant and equipment written off  | 14                | -      | 14           | -      |

## 25. Off Balance Sheet Financial Instruments

The Group did not have any financial instruments with off-balance sheet risk as at 30 June 2023.

## 26. Material Litigations

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

## 27. Dividends

The Board of Directors declared the payment of a second interim single tier dividend of 1.3 sen on the enlarged share capital of 539,999,964 totalling RM7.02 million in respect of the financial year ending 31 December 2023, payable on 29 September 2023 to depositors registered in the Records of Depositors at close of business on 15 September 2023.

## 28. Basic Earnings per Share

|   | 2nd Quarter Ended |         | Year-to-Date |         |
|---|-------------------|---------|--------------|---------|
|   | 30 June           |         | 30 June      |         |
|   | 2023              | 2022    | 2023         | 2022    |
|   | RM'000            | RM'000  | RM'000       | RM'000  |
| Profit attributable to owners of the Parent       | 14,121            | 17,802  | 27,902       | 36,776  |
| Weighted average number of shares in issue ('000) | 540,000           | 540,000 | 540,000      | 540,000 |
| Basic Earnings per Share (sen)                    | 2.62              | 3.30*   | 5.17         | 6.81*   |

\*Based on the enlarged issue capital of 539,999,964 shares after the Proposed Bonus Issue on 1 July 2022.

**29. Authorisation for issue**

These interim financial statements and the accompanying notes were authorised for issue by the Board of Directors on 29 August 2023.

For and on behalf of the Board

Lii Hen Industries Bhd.

Pang Kah Man, MIA 18831

Company Secretary