

10. FINANCIAL INFORMATION (Cont'd)**10.3 Consolidated Profit Estimate And Forecast Together With The Assumptions Thereto**
(Prepared for inclusion in this Prospectus)**LII HEN INDUSTRIES BHD
AND ITS SUBSIDIARIES****CONSOLIDATED PROFIT ESTIMATE, FORECAST AND ASSUMPTIONS**

The Directors of LII HEN INDUSTRIES BHD estimate and forecast that, in the absence of unforeseen circumstances, the consolidated profit after taxation for the year ended 31 December 1999 and year ending 31 December 2000 will be approximately as follows:

Financial Year Ended/Ending 31 December	Estimate for the Proforma Group 1999	Forecast for the Group 2000
Consolidated profit after taxation (RM'000)	12,104	10,762
Weighted average number of ordinary shares in issue ('000)	*25,598	**37,318
Net earnings per share (sen)	47.28	28.84

* The acquisition of the entire issued and paid-up share capital of LHF for a total purchase consideration of RM25,598,305 satisfied by the issuance of 25,598,305 new ordinary shares of RM1.00 each in LHIB is deemed to have been implemented on 1 January 1999 in line with the principles of the merger method of accounting which have been adopted by the Group.

**Based on the weighted average issued and paid-up share capital of 37,317,570 ordinary shares of RM1.00 each after the completion of rights issue on 10 February 2000 of 8,381,693 ordinary shares of RM1.00 each and on the assumption that the public issue of 6,020,000 ordinary shares of RM1.00 each will be completed on 15 April 2000 to raise the issued share capital to RM40,000,000.

The principal assumptions upon which the above consolidated profit estimate and forecast have been made are as follows:

1. There will be no material changes in the principal activities of the Group.
2. Save for the acquisition by LHIB of 100% equity interest in LHF and KJSB as part of its flotation exercise, there will be no change in the structure on activities of the Group.
3. There will be no significant changes affecting the Malaysian and world economy which will adversely affect the activities or performance of the Group.
4. There will be no significant changes in the present legislations and government regulations which may adversely affect the activities of the Group or the market in which it operates.

10. FINANCIAL INFORMATION (Cont'd)

5. There will be no significant fluctuation in inflation rates.
 6. There will be no significant fluctuations in foreign currency exchange rates, including the exchange rate of RM3.80 to United States Dollar ("USD")1.00.
 7. There will be no material increase in prices of raw materials, wages, costs of production and other related costs which will adversely affect the performance of the Group other than inflationary increase.
 8. There will be adequate and undisrupted supply of raw materials for the Group's production.
 9. There will be no major industrial disputes, breakdown or disruptions in the production facilities, or other abnormal circumstances, both domestic and overseas, which will adversely affect the operations and performance of the Group.
 10. Existing financing facilities will remain available and the level of interest rates will not change materially from those prevailing. The Group will also be able to obtain additional financing facilities at interest rates approximate to those currently available to the Group.
 11. Capital expenditure programmes are expected to take place according to schedule with no material changes in the costs or prices from the forecast levels.
 12. There will be no significant changes in the present income tax rate other than for the year ending 31 December 1999. There is no income tax charge for the financial year 1999 as the amount payable is waived in accordance with the Income Tax (Amendment) Act, 1999. It is also assumed that the Group will continue to enjoy reinvestment allowance and pioneer status incentives during the period covered by the forecast.
 13. There will be no significant changes in management structure, operating and accounting policies normally adopted by the companies within the Group.
 14. The proceed from the public issue will be received on 15 April 2000.
 15. Sales by the Group will be in line with forecast levels.
 16. There will be no material changes in the profit margin on sales by the Group.
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10. FINANCIAL INFORMATION (Cont'd)

10.4 Reporting Accountants' Letter On The Consolidated Profit Estimate And Forecast
(Prepared for inclusion in this Prospectus)

Peter Chong & Co. (AF 0165)
Public Accountants

51 Changkat Bukit Bintang
50200 Kuala Lumpur
Tel : 03-2454 991
Fax : 03-2454 825
E-mail:pcckl@tm.net.my

8 March 2000
The Board of Directors
LII HEN INDUSTRIES BHD
Plot 43 Kawasan Perindustrian Bukit Pasir
84300 Muar
Johor Darul Takzim

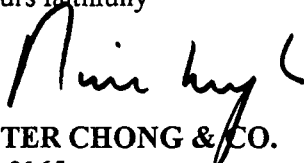
Dear Sirs,


LII HEN INDUSTRIES BHD
CONSOLIDATED PROFIT ESTIMATE AND FORECAST FOR THE
FINANCIAL YEAR ENDED 31 DECEMBER 1999 AND FINANCIAL YEAR
ENDING 31 DECEMBER 2000

We have reviewed the accounting policies and calculations for the consolidated profit estimate and forecast of Lii Hen Industries Bhd ("LHIB") and its subsidiary companies ("the Group"), for which the Directors are solely responsible, for the financial year ended 31 December 1999 and financial year ending 31 December 2000 respectively as set out in the Prospectus to be dated **20 March 2000** in connection with the Public Issue of 6,020,000 new ordinary shares of RM1.00 each and Restricted Offer For Sale of 1,806,000 ordinary shares of RM1.00 each in LHIB at an Issue/Offer price of RM1.60 per share and the listing and quotation of the entire enlarged issued and paid-up share capital of LHIB comprising 40,000,000 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the consolidated profit estimate and forecast, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors as set out in this Prospectus and are presented on a basis consistent with the accounting policies normally adopted by the companies within the Group.

Yours faithfully


PETER CHONG & CO.
AF 0165
Public Accountants


PETER CHONG TON NEN
394/3/00/J/PH
Partner

10. FINANCIAL INFORMATION (Cont'd)**10.6 Proforma Consolidated Balance Sheets**
(Prepared for inclusion in this Prospectus)**LII HEN INDUSTRIES BHD
AND ITS SUBSIDIARIES****PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 SEPTEMBER 1999**

The Proforma Consolidated Balance Sheets of LII HEN INDUSTRIES BHD ("LHIB") and its subsidiary companies as at 30 September 1999 as set out below are provided for illustration purposes only to show the effects of the acquisitions of the entire issued and paid-up share capital of LHF and KJSB ("Acquisitions"), the rights issue of 8,381,693 new ordinary shares of RM1.00 each at an issue price of RM1.00 per ordinary share ("Rights Issue") and the public issue of 6,020,000 new ordinary shares of RM1.00 each at an issue price of RM1.60 per new ordinary share ("Public Issue") on the assumption that these transactions were completed on 30 September 1999.

	Note	Audited Balance Sheet of LHIB as at 30 September 1999 RM'000	Proforma I After Acquisitions RM'000	Proforma II After I and Rights Issue RM'000	Proforma III After II and Public Issue RM'000
Fixed assets		-	42,028	42,028	48,948
Expenditure carried forward	18	54	54	54	54
Goodwill on consolidation	-	341	341	341	341
Current assets					
Stocks	-	14,637	14,637	14,637	14,637
Trade debtors	-	19,292	19,292	19,292	19,292
Other debtors, prepayments and deposits	-	2,490	2,490	2,490	2,490
Cash and bank balances	-	697	9,079	9,079	2,838
		-	37,116	45,498	39,257
Current liabilities					
Trade creditors			9,800	9,800	9,800
Other creditors and accruals	18	1,686	1,686	1,686	1,686
Hire purchase creditors	-	1,138	1,138	1,138	1,138
Due to directors	-	1,108	1,108	1,108	62
Bank borrowings	-	13,504	13,504	13,504	12,391
Taxation	-	1,470	1,470	1,470	1,470
	18	28,706	28,706	28,706	26,547
Net current assets/(liabilities)	(18)	8,410	16,792	16,792	12,710
Non current liabilities					
Hire purchase creditors	-	(1,329)	(1,329)	(1,329)	(371)
Bank loans	-	(3,836)	(3,836)	(3,836)	-
Deferred taxation	-	(1,238)	(1,238)	(1,238)	(1,238)
	*	44,430	52,812	52,812	60,444

10. FINANCIAL INFORMATION (Cont'd)

	Note	Audited Balance Sheet of LHIB as at 30 September 1999 RM'000	Proforma I After Acquisitions RM'000	Proforma II After I and Right Issue RM'000	Proforma III After II and Public Issue RM'000
Share capital	2	*	25,598	33,980	40,000
Reserves	3	-	18,832	18,832	20,444
		*	44,430	52,812	60,444
Net tangible assets/(liabilities) per ordinary share (RM)		(9,073)	1.72	1.54	1.50

*RM2.00

10. FINANCIAL INFORMATION (Cont'd)**NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 SEPTEMBER 1999**

1. The Proforma Consolidated Balance Sheets have been prepared for illustrative purposes based on the audited accounts of LHIB, LHF, CTHH, EFF, MKK, and KJSB as at 30 September 1999.

(i) Proforma I incorporates the following:

- (a) the acquisition of the entire issued and paid-up share capital of LHF for a total purchase consideration of RM25,598,305 satisfied by the issuance of 25,598,305 new ordinary shares of RM1.00 each in LHIB.

The purchase consideration for LHF of RM25,598,305 was arrived at on a willing buyer-willing seller basis based on the audited consolidated NTA as at 31 December 1998 of RM35,069,305, after adjusting for the revaluation surplus of RM9,446,758, arising from the revaluation of its landed properties, and after adjusting for the reserves required to be retained under Section 10.10 (1) (j) of the *SC's Policies and Guidelines on Issue/Offer of Securities*. The acquisition of LHF was completed on 26 January 2000.

- (b) the acquisition of the entire issued and paid-up share capital of KJSB for a total cash purchase consideration of RM1,046,183.

The purchase consideration for KJSB of RM1,046,183 was arrived at on a willing buyer-willing seller basis based on the audited consolidated NTA as at 28 February 1999 of RM589,675 after adjusting for the revaluation surplus of RM589,675, arising from the revaluation of its landed properties. The acquisition of KJSB was completed on 26 January 2000.

(ii) Proforma II incorporates Proforma I and the following:

- (a) rights issue of 8,381,693 new ordinary shares of RM1.00 each at an issue price of RM1.00 per ordinary share to the existing shareholders of LHIB on the basis of approximately one new ordinary share for every three existing ordinary shares held.

10. FINANCIAL INFORMATION (Cont'd)

- (iii) Proforma III incorporates Proforma I, II and the following:
- (a) public issue of 6,020,000 new ordinary shares of RM1.00 each at an issue price of RM1.60 per new ordinary share.
- (b) the gross proceeds from the Public Issue and Rights Issue of approximately RM18.014 million will be utilised in the following manner:-

	RM'000
(i) Repayment of term loans	4,949
(ii) Repayment of hire purchase creditors	958
(iii) Repayment of advance from the director for the acquisition of KJSB	1,046
(iv) Purchase of fixed assets	6,920
(v) Working capital	2,141
(vi) Listing expenses	<u>2,000</u>
TOTAL	<u>18,014</u>

- (iv) The Proforma Consolidated Balance Sheets have been prepared based on accounting policies and bases consistent with those previously adopted by LHIB and its subsidiaries.
- (v) The Proforma Consolidated Balance Sheets are prepared based on merger method of accounting in accordance with the provision of the Malaysian Accounting Standard No.2.

10. FINANCIAL INFORMATION (Cont'd)**2. Share capital**

	RM'000
As at 30 September 1999	*
Shares issued pursuant to the acquisition of the entire issued and paid-up share capital of LHF	25,598
Rights Issue	8,382
Public Issue	6,020
	<u>40,000</u>
*RM2.00	

3. Reserves**Non-distributable**

Share premium

-Arising from public issue of 6,020,000 shares at RM1.60 per share

3,612

-Estimated listing expenses

(2,000)

1,612

Capital reserve

46

Revaluation reserve arising from the revaluation of properties

9,447

Merger reserve

As at 30 September 1999

648

Arising from the acquisition of LHF

-par value of shares acquired

900

-par value of shares issue

(25,598)(24,050)**Total non-distributable**

(12,945)

Distributable

Retained earnings

33,38920,444

10. FINANCIAL INFORMATION (Cont'd)

10.7 Reporting Accountants' Letter On The Proforma Consolidated Balance Sheets
(Prepared for inclusion in this Prospectus)

Peter Chong & Co. (AF 0165)
Public Accountants

51 Changkat Bukit Bintang
50200 Kuala Lumpur
Tel : 03-2454 991
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8 March 2000

The Board of Directors
LII HEN INDUSTRIES BHD
Plot 43 Kawasan Perindustrian Bukit Pasir
84300 Muar
Johor Darul Takzim

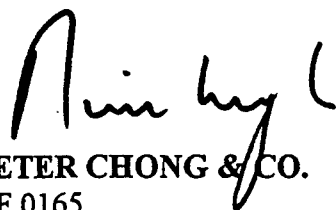
Dear Sirs,

LII HEN INDUSTRIES BHD
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 SEPTEMBER
1999

We have reviewed the Proforma Consolidated Balance Sheets of Lii Hen Industries Bhd as at 30 September 1999 together with the notes thereto, for which the Directors are solely responsible, as set out in the Prospectus dated 20 March 2000 in connection with the Public Issue of 6,020,000 new ordinary shares of RM1.00 each and Restricted Offer For Sale of 1,806,000 ordinary shares of RM1.00 each in LHIB at an Issue/Offer price of RM1.60 per share and the listing of and quotation for its entire enlarged issued and paid-up share capital of LHIB comprising 40,000,000 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the Proforma Consolidated Balance Sheets together with the notes thereto, which are provided for illustrative purposes only, have been prepared on a basis consistent with the accounting policies normally adopted by the Group and are presented in a form suitable for inclusion in the Prospectus.

Yours faithfully,



PETER CHONG & CO.
AF 0165
Public Accountants



PETER CHONG TON NEN
394/3/00/J/PH
Partner

11. DIRECTORS' REPORT

(Prepared for inclusion in this Prospectus)

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業
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限
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(Co. No.: 301361-U)

LII HEN INDUSTRIES BHD.

Plo 43, Bukit Pasir Industrial Estate, 84300 Muar, Johor, Malaysia.

Tel : 606-985 7202 (10 Lines)

Fax : 606-985 7954, 985 8000, 985 7818

URL : www.liihenfurniture.com.

Email : chuals@pc.jaring.my

Registered Office :
67, 2nd Floor, Room B
Jalan Ali, 84000 Muar
Johor Darul Takzim

8 March 2000

The Shareholders
LII HEN INDUSTRIES BHD.

Dear Sir / Madam,

On behalf of the Directors of Lii Hen Industries Bhd. (" LHIB "), I report after due inquiry that during the period from 30 September 1999 (being the date to which the last audited accounts of the Company and its subsidiary companies (" Group ") have been made up to 8 March 2000 (being the date not earlier than fourteen (14) days before the issue of this Prospectus) that :-

- (a) the business of the Group has in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited accounts of the Group which have adversely affected the trading or the value of the assets of the Group;
- (c) the current assets of the Group appears in the books at values which are believed to be realisable in the ordinary course of business;
- (d) no contingent liabilities have arisen by reason of any guarantees given by the Group; and
- (e) save as disclosed in the Accountants' Report and Proforma Consolidated Balance Sheets in this Prospectus, there have been no changes in published reserves or any unusual factors affecting the profits of the Group.

Yours faithfully,
For and on behalf of the Board of Directors of
LII HEN INDUSTRIES BHD.

CHUA LEE SENG
Chairman and Managing Director