

LII HEN INDUSTRIES BHD. (301361-U)

NOTES TO THE FINANCIAL STATEMENTS-4TH QUARTER ENDED 31 DECEMBER 2000

1. ACCOUNTING POLICIES

The accounts of the Group are prepared using the same accounting policies, methods of computation and basis of consolidation as those used in the preparation of the most recent annual financial statements.

2. EXCEPTIONAL ITEM

There was no exceptional item for the financial quarter under review.

3. EXTRAORDINARY ITEM

There was no extraordinary item for the financial quarter under review.

4. TAXATION

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

	Current Quarter RM'000	Year to date RM'000
Current	1009	3,006
Under/(Over) provision in prior years	-	-
	-----	-----
	1009	3,006
	=====	=====

The taxation charge for the current quarter under review includes deferred taxation amounting to RM475,000.

5. PRE-ACQUISITION PROFIT

There are no pre-acquisition profit/loss for the current financial period ended 31 December 2000.

6. PROFIT ON SALE OF INVESTMENT AND / OR PROPERTIES

There were no sale of investments and properties for the current financial period ended 31 December 2000.

7. QUOTED SECURITIES

There was no purchase or disposal of quoted securities for the current financial period ended 31 December 2000.

8. CHANGES IN THE COMPOSITION OF THE GROUP

Pursuant to the listing & quotation of the entire issued and paid-up capital of the listing of Lii Hen Industries Bhd. ("The Company") on the Second Board of the Kuala Lumpur Stock Exchange, the Company acquired Lii Hen Furnitures Sdn Bhd and its wholly-owned subsidiaries, CT Haup Heng, EF Furniture Sdn Bhd and Mayteck Kilang Kayu Dan Perabut Sdn Bhd on 26 January 2000. The Company also acquired Kejora Juara Sdn. Bhd. on the same date.

Subsequent to the end of quarter under review, the Company has incorporated a subsidiary known as Affirm Marketing Sdn. Bhd. (AFMSB) with an authorised capital of RM100,000/- comprising of 100,000 ordinary shares of RM1/- each and total issued and paid-up share capital of RM100/- comprising of 100 ordinary shares of RM1/- each. The Company has owned 100% equity in AFMSB and is incorporated for the purpose of rationalizing operations for local sales of the Group's products. The main principal activity of AFMSB is to be involved in marketing of furniture for local market.

9. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced but not completed as at the date of this announcement.

10. 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.

11. ISSUANCE OF SHARES

As an integral part of the Group's listing exercise, the Company had on 26 January 2000 issued 25,598,305 new ordinary shares in respect of the acquisition of Lii Hen Furnitures Sdn Bhd, Rights Issue of 8,381,693 on 10 February 2000 and on 13 April 2000, issued 6,020,000 new ordinary shares of RM1.00 each in respect of the Public Issue undertaken by the Company.

12. GROUP BORROWINGS

The Group's borrowings as at 31 December 2000 are as follows :-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term	9,377	0	9,377
Long Term	0	-	0
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	9,377	0	9,377
	=====	=====	=====

The bank borrowings are secured by debenture incorporating first fixed charges over the properties of the Group and floating charges over all the other assets of the Group.

13. CONTINGENT LIABILITIES

As at the date of this report, the Group has contingent liabilities as follows:-

	RM
Counter indemnities to banks for bank guarantees issued	
- Secured	2,613,750
- Unsecured	-
Corporate guarantees for credit facilities granted to subsidiary Companies (unsecured)	6,243,680

14. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The Group does not have any off balance sheet financial instruments as at the date of this announcement.

15. MATERIAL LITIGATION

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

16. SEGMENTAL REPORTING

As the Group's business is principally involved in the manufacture of furniture, no segmental analysis is performed for its financial result.

17. COMMENT ON FINANCIAL RESULTS

The Group's turnover for the quarter under review recorded a decrease of 8.68% to RM22.589 million compared to RM24.737 million in previous quarter. However, profit before tax & profit after tax was higher by 11.6% & 11.28% to RM4.077 million & RM3.068 million respectively compared to profit before tax of RM3.654 million & profit after tax of RM2.757 million in previous quarter.

18. REVIEW OF PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES

The Group's decreased turnover was mainly due to lower sales of solid rubberwood dining furniture, partially offset by higher sales of panel products.

The increase in profit before tax & profit after tax for the quarter was mainly attributed to product diversification and enhance sourcing of raw materials resulting in lower cost of sales.

19. PROSPECT FOR THE CURRENT FINANCIAL YEAR

The Board of Directors is of the opinion that the slowdown of the US economy and the depreciation of the Euro and Australian currency will have negative impact on the global furniture industry. However, strategies are being planned to mitigate any adverse effect such as product diversification and new market penetration, in order to sustain year 2001 performance at the level similar to that achieved in the year of 2000.

20. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

Based on the unaudited consolidated group profit before tax of RM12.869 million and profit after tax of RM9.863 million for the financial year ended 31 December 2000, the Group recorded a variance of 9.6% and 8.4% respectively as compared to the forecasted profit before tax of RM14.238 million and profit after tax of RM10.762 million as disclosed in the Prospectus dated 20 March 2000.

21. DIVIDEND

- (a) In line with the dividend estimate in Prospectus dated 20 March 2000, the Directors have pleasure in recommending a final tax-exempt dividend of 3.75% for the financial year ended 31 December 2000 for approval at the Company forthcoming Annual General Meeting.
- (b) (i) Amount per share : 3.75 cents (tax-exempt)
- (ii) Previous period : 3.75 cents (tax-exempt)
- (iii) Total dividend for : 7.5 cents
the financial year
- (c) The dividend entitlement and payment dates for the above proposed final tax-exempt dividend will be determined at a later date.

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

Dr. Chua Tuan Meng, J.P.
Independent Non-Executive Director
Chairman
Audit Committee

20 February, 2001
Muar, Johor Darul Takzim