

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIRST QUARTER OF 2001 - 31 MARCH 2001

1. ACCOUNTING POLICIES

The financial statements 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 charged for the quarter and year-to-date comprise of :-

	Current Quarter RM'000
Current	268
Under/(Over) provision in prior years	-

	268
	=====

The taxation charged for the current quarter under review includes deferred taxation amounting to RM172,000.

5. PRE-ACQUISITION PROFIT

There are no pre-acquisition profit/loss for the current financial period ended 31 March 2001.

6. PROFIT ON SALE OF INVESTMENT AND / OR PROPERTIES

There were no sale of investments and properties for the current financial period ended 31 March 2001.

7. QUOTED SECURITIES

There was no purchase or disposal of quoted securities for the current financial period ended 31 March 2001.

8. CHANGES IN THE COMPOSITION OF THE GROUP

Subsequent to the end of quarter under review,

- a) the Company has remitted USD150,000 being initial payment for subscribing 328,000 shares representing 82% of the issued and paid up capital of MEGA Creations INC. a company incorporated in California U.S.A.; and
- b) the subsidiary, Affirm Marketing Sdn. Bhd. has commenced business operations 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

There was no issuance of shares during the current quarter ended 31 March 2001.

12. GROUP BORROWINGS

The Group's borrowings as at 31 March 2001 are as follows :-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term	8,118	0	8,118
Long Term	0	-	0
	-----	-----	-----
	8,118	0	8,118
	=====	=====	=====

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	2,303,000
- nsecured	-
Corporate guarantees for credit facilities granted to subsidiary companies (unsecured)	13,286,000

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. MATERIAL CHANGES IN QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEEDING QUARTER

The Group's turnover for the quarter under review decreased by 23.27% to RM17.332 million compared to the turnover of RM22.589 million achieved in previous quarter. Correspondingly, the profit before taxation of the Group decreased by 54.14% to RM1.407million compared to RM3.068 million achieved in previous quarter.

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

The Group's turnover for the quarter under review decreased by 14.58% to RM17.332 million compared to the turnover of RM20.291 million achieved in the corresponding quarter last year. The Group's decreased turnover was mainly due to seasonal trends and lower demand for solid rubberwood dining furniture.

The decrease in profit before taxation was mainly attributed to lower turnover and bonus paid out to employees in January 2001. The profit before taxation for the Group decreased by 33.86% to RM1.676 million compared to RM2.534 million achieved in the corresponding quarter last year.

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.

20. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

21. DIVIDEND

The Board of Directors is proposing a Final tax-exempt dividend of 3.75% in the forth coming Annual General Meeting for the financial year ended 31st December 2000.

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

Chua Tuan Meng
Chairman
Audit Committee