

## LII HEN INDUSTRIES BHD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 3RD QTR ENDED 30 SEPTEMBER 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	Year To-date RM'000
Current taxation		
- provision for the year	753	1,338
- under/(over) provision in prior years	-	-
Deferred taxation	208	488
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	961	1,786
	=====	=====

The effective tax rate is higher than the statutory tax rate for the quarter under review due to some of the expenses incurred which are disallowed under the Income Tax Act 1967.

#### 5. Profit on Sale of Unquoted Investments and/or Properties

There are no sales of unquoted investments and/or properties included in the consolidated results of the Group for the current financial period and year-to-date.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE 3RD QTR ENDED 30 SEPTEMBER 2001**

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**6. Purchase or Disposal of Quoted Securities ( Other than Quoted Securities in Subsidiaries and Associated Companies)**

There were no purchase or disposal of Quoted Securities for the current financial period ended 30 September 2001.

**7. Effects of Changes in the Composition of the Company During the Current Financial period.**

There were no changes in the composition of the Company for the current financial period ended 30 September 2001.

**8. Status of Corporate Proposals Announced but Not Completed**

The Company has on 21 September 2001 made an announcement that the Company proposes to implement an employees' share option scheme (ESOS) granting up to ten per cent (10%) of the issued and paid-up share capital of the Company to the Eligible Employees of the Lii Hen Group.

Southern Investment Bank Berhad has been appointed as the advising merchant bank to the Company in relation to the proposed ESOS.

On 24 October 2001, the Company has submitted the proposed ESOS to Securities Commission to seek the approval for the following:

- i) Proposed ESOS; and
- ii) the listing and quotation of new Company's shares representing 10% of the share capital arising from the exercise of options under the proposed ESOS.

Except as disclosed above, there were no corporate proposals announced but not completed as at the date of this announcement.

**9. Issuance and Repayment of Debt, Equity Securities and Share Buybacks**

There were no issuance and repayment of debts, equity securities and share buybacks for the current financial period ended 30 September 2001.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE 3RD QTR ENDED 30 SEPTEMBER 2001

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#### 10. Group Borrowings and Debt Securities

The Group's borrowings as at 30 September 2001 are as follows :-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term	8,454	0	8,454
Long Term	0	-	0
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	8,454	0	8,454
	=====	=====	=====

#### 11. Contingent Liabilities

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

	RM'000
Counter indemnities to banks for bank guarantees issued	
- Secured	2,686
- unsecured	-
Corporate guarantees for credit facilities granted to subsidiary companies ( unsecured )	16,286

#### 12. Off Balance Sheet Financial Instruments

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

#### 13. Material Litigations

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

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE 3RD QTR ENDED 30 SEPTEMBER 2001

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#### 14. Segmental Reporting

Geographical segment

	-----Current Year To Date-----		
	Turnover	Profit/ (Loss) Before Taxation	Total Assets Employed
	RM'000	RM'000	RM'000
Malaysia	58,049	7,383	92,698
USA	<u>1,810</u>	<u>(166)</u>	<u>2,953</u>
	<u>59,859</u>	<u>7,217</u>	<u>95,651</u>
	=====	=====	=====

#### 15. Explanatory Comments on Material Changes in the Profitability for the Quarter Reported On Compared to the Immediate Preceding Quarter

The Group's turnover for the quarter under review contracted by 2.27% to RM21.00 million compared to the turnover of RM21.48 million achieved in previous quarter. Notwithstanding with the moderate decrease of revenue, the profit before taxation of the Group increased by 42.5% to RM3.25 million compared to RM2.28 million in previous quarter.

The substantial increase in profit before taxation for the current quarter compared to the immediate preceding quarter was mainly attributed to the cost savings arising from the improved operational efficiency in term of materials consumed and labour cost.

#### 16. Review of Results

Revenue and profit before taxation for the period ended 30 September 2001 was RM59.86 million and RM7.22 million respectively in comparison with revenue of RM65.84 million and profit before taxation of RM8.79 million for the corresponding period of last year.

The decrease of profit before taxation for the period under review was due to the lower turnover as a result of the global slow down in the economy.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE 3RD QTR ENDED 30 SEPTEMBER 2001**

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**17. Material Subsequent Events**

There were no material subsequent events for the quarter under review.

**18. Comments on the Seasonality or Cyclicalities of Operations**

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.

**19. Current Year Prospects**

The Board of Directors is of the opinion that the slowdown of the US economy, the 911 attack and the depreciation of the Euro and Australian currency; continue to have adverse impact on the Malaysia export market . However, strategies are being planned to mitigate these adverse effect via product diversification and new market penetration.

**21. Profit Forecast**

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

**21. Dividend**

No dividend was declared for the period ended 30 September 2001.

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

Chua Tuan Meng  
Chairman  
Audit Committee