

## **LII HEN INDUSTRIES BHD**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE 4TH QTR ENDED 31 DECEMBER 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	1,118	2,625
- under/(over) provision in prior years	-	-
Deferred taxation	187	466
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	1,305	3,091
	=====	=====

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.

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE 4TH QTR ENDED 31 DECEMBER 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 31 December 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 31 December 2001.

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

On 26 November 2001, Southern Investment Bank Bhd announced on behalf of the Board that SC had approved the proposed ESOS to eligible employees. The approved ESOS has yet to be implemented.

The Company is proposing bonus issue of 20,000,000 new ordinary shares of RM1.00 each on the basis of one new Share for every two existing Shares held. The proposed bonus issue will be implemented upon approval from the SC for the transfer of its listing status to Main Board of the KLSE.

Arab Malaysia Merchant Bank Berhad is the advising merchant bank to the Company in relation to the proposed transfer from Second Board to Main Board.

The above proposals were approved by the shareholders in the EGM held on 7 February 2002.

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 31 December 2001.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE 4TH QTR ENDED 31 DECEMBER 2001

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#### 10. Group Borrowings and Debt Securities

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

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term	7,115	0	7,115
Long Term	0	-	0
	-----	-----	-----
	7,115	0	7,115
	=====	=====	=====

#### 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	2,382
- unsecured	-
Corporate guarantees for credit facilities granted to subsidiary companies ( unsecured )	25,738

#### 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 4TH QTR ENDED 31 DECEMBER 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	79,668	11,576	92,702
USA	<u>2,802</u>	<u>(347)</u>	<u>2,600</u>
	82,470	11,229	95,302
	=====	=====	=====

#### 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 increased by 7.67% to RM22.61 million compared to the turnover of RM21.00 million achieved in previous quarter. Despite the moderate increase of revenue, the profit before taxation of the Group increased by 25.5% to RM4.08 million compared to RM3.25 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 on raw materials consumed and improved market demand for the laminated board and rough sawn rubberwood.

#### 16. Review of Results

Revenue and profit before taxation for the period ended 31 December 2001 was RM82.47 million and RM11.23 million respectively in comparison with revenue of RM88.46 million and profit before taxation of RM12.17 million for the corresponding year.

The decrease of profit before taxation for the year under review was due to the lower turnover as a result of the global slow down in the economy and the initial operational loss of the new subsidiary company in USA .

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE 4TH QTR ENDED 31 DECEMBER 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 Cyclicity 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 slowdown of the US economy, the 911 attack and the depreciation of the Euro and Australian currency will continue to have adverse impact on the 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**

The Company had declared an interim tax exempt dividend of 3.75 cents per share for the financial year ended 31 December 2001 which was paid on 31 January 2002.

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

Tan Wang Giap  
Secretary