

LII HEN INDUSTRIES BHD

NOTES TO THE FINANCIAL STATEMENTS FOR THE 1ST QTR ENDED 31 MARCH 2002

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	479	479
- under/(over) provision in prior years	-	-
Deferred taxation	49	49
	-----	-----
	528	528
	=====	=====

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.

LII HEN INDUSTRIES BHD

NOTES TO THE FINANCIAL STATEMENTS FOR THE 1ST QTR ENDED 31 MARCH 2002

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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.

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 March 2002.

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 March 2002.

8. Status of Corporate Proposals Announced but Not Completed

On 16 May 2002, Southern Investment Bank Bhd announced on behalf of the board that the Securities Commission has approved an extension of time of two months until 18 July 2002 for the implementation of the Proposed ESOS.

The proposed bonus issue of 20,000,000 new ordinary shares of RM1.00 each on the basis of one (1) new share for every two existing shares held and the proposed transfer of the listing of and quotation for the entire issued and paid up share capital of the Company to the Main Board of the Kuala Lumpur Stock Exchange had been completed on 28 May 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 March 2002.

LII HEN INDUSTRIES BHD

NOTES TO THE FINANCIAL STATEMENTS FOR THE 1ST QTR ENDED 31 MARCH 2002

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10. Group Borrowings and Debt Securities

The Group's borrowings as at 31 March 2002 are as follows :-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term	8,630	0	8,630
Long Term	0	-	0
	-----	-----	-----
	8,630	0	8,630
	=====	=====	=====

The hire purchase creditors of RM978,004 which due within one year have been reclassified as short term borrowings in this quarter under review.

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	2,517
- 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

LII HEN INDUSTRIES BHD

NOTES TO THE FINANCIAL STATEMENTS FOR THE 1ST QTR ENDED 31 MARCH 2002

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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	17,731	1,838	93,851
USA	<u>781</u>	<u>(154)</u>	<u>1,945</u>
	18,512	1,684	95,796
	=====	=====	=====

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 decreased by 18.1% to RM18.51 million compared to the turnover of RM22.61 million achieved in previous quarter. Correspondingly the profit before taxation of the Group decreased by 58.8% to RM1.68 million compared to RM4.08 million in previous quarter.

The substantial decrease in turnover and profit before taxation for the current quarter compared to the immediate preceding quarter was mainly due to the seasonal trends and bonus paid to employees in February 2002.

16. Review of Results

The Group's turnover for the quarter under review increased by 6.9% to RM18.5 million compared to the turnover of RM17.3 million in the corresponding quarter last year. Despite the marginal increase in turnover, the Group's profit before taxation stood at RM 1.68 million compared to the profit before taxation of the corresponding quarter last year of RM1.68 million.

The lower profit before taxation though increase of turnover for the current quarter was attributed to higher operating costs incurred and the loss sustained by the USA subsidiary.

LII HEN INDUSTRIES BHD

NOTES TO THE FINANCIAL STATEMENTS FOR THE 1ST QTR ENDED 31 MARCH 2002

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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

The recent development of the significant decline in the excessive inventory level of the furniture distributors might spur demand for the furniture products in the near future.

21. Profit Forecast

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

22. Dividend

The Board has proposed a final tax exempt dividend of 2.5 cents per share for the financial year ended 31 December 2001 based on the enlarged share capital of RM60 million. (2000 - 3.75 cents per share of tax-exempt dividend based on share capital of RM40 million)

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

Tan Wang Giap
Secretary