

## LII HEN INDUSTRIES BHD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 2ND QTR ENDED 30 JUNE 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	681	1,160
- under/(over) provision in prior years	-	-
Deferred taxation	194	243
	-----	-----
	875	1,403
	=====	=====

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.

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE 2ND QTR ENDED 30 JUNE 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 30 June 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 30 June 2002.

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

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 June 2002.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE 2ND QTR ENDED 30 JUNE 2002

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#### 10. Group Borrowings and Debt Securities

The Group's borrowings as at 30 June 2002 are as follows :-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term	10,922	0	10,922
Long Term	0	0	0
	-----	-----	-----
	10,922	0	10,922
	=====	=====	=====

#### 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	2,205
- 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 2ND QTR ENDED 30 JUNE 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	37,900	4,291	97,428
USA	<u>1,695</u>	<u>(653)</u>	<u>3,245</u>
	39,595	3,638	100,673
	=====	=====	=====

#### 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 13.9% to RM21.08 million compared to the turnover of RM18.51 million achieved in previous quarter. Correspondingly the profit before taxation of the Group increased by 14.7% to RM1.95 million compared to RM1.70 million in previous quarter.

The increase in turnover and profit before taxation for the current quarter compared to the immediate preceding quarter was mainly due to the higher export of dining and office furniture and the sales of rubberwood and laminated board.

#### 16. Review of Results

The Group's turnover for the quarter under review decreased by 1.86% to RM21.08 million compared to the turnover of RM21.48 million in the corresponding quarter last year. In tandem with the marginal decrease in turnover, the Group's profit before taxation decreased by 14.47% to RM 1.95 million compared to the profit before taxation of the corresponding quarter last year of RM2.28 million.

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

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE 2ND QTR ENDED 30 JUNE 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 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 slowdown and the uncertainty of the US economy, will continue to have adverse impact on the export market. However, strategies are being carried up 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.

**20. Profit Forecast**

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

**21. Dividend**

No dividend was declared for the period ended 30 June 2002.

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

Tan Wang Giap  
Secretary