

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR PERIOD ENDED 30 SEPTEMBER 2002**

1. Accounting Policies

The interim financial report has been prepared in compliance with MASB 26, Interim Financial Reporting.

The condensed interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2001.

The accounting policies and methods of computation used in the preparation of the interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2001.

2. Qualified audit report

The preceding financial statements for the year ended 31 December 2001 were report on without any qualification.

3. 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.

4. Unusual items

There were no unusual items affecting the Group for the financial period ended 30 September 2002.

5. Changes in estimates

There is no significant change in estimates of amounts reported in prior interim periods of the current or previous financial year.

6. Debts and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt or equity securities for the financial period ended 30 September 2002.

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7. Dividend paid

Since the end of the previous financial year, the Company paid an interim tax exempt dividend of 3.75% on 31 January 2002 based on RM40,000,000 paid up share capital and a final tax exempt dividend of 2.5% on 31 July 2002 based on enlarged share capital of RM60,000,000. The above dividends were all in respect of the financial year ended 31 December 2001.

8. Segmental reporting

Geographical segment

	-----Current Year To Date-----		
	Turnover	Profit/ (Loss) Before Taxation	Total Assets Employed
	RM'000	RM'000	RM'000
Malaysia	60,845	7,310	100,236
USA	<u>3,005</u>	<u>(1,041)</u>	<u>4,212</u>
	63,850	6,269	104,448
	=====	=====	=====

9. Valuation of property, plant and equipment

The properties which was revalued have been brought forward from the previous financial statements and there were no valuations of property, plant and equipment for the financial period ended 30 September 2002.

10. Subsequent events

There were no material events subsequent to 30 September 2002 at the date of this quarterly report.

11. Changes in the composition of the Group

There were no changes in the composition of the Company for the current financial period ended 30 September 2002.

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12. Changes in 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	2,343
- unsecured	-
Corporate guarantees for credit facilities granted to subsidiary companies (unsecured)	25,738

13. Capital commitments

There is not capital commitment as at 30 September 2002.

ADDITIONAL INFORMATION REQUIRED BY KLSE LISTING REQUIREMENT

14. Review of performance

The Group's turnover for the quarter under review increased by 15.52% to RM24.26 million compared to the turnover of RM21.00 million in the corresponding quarter last year. Despite the increase in turnover, the Group's profit before taxation decreased by 19.32% at RM 2.63 million compared to the profit before taxation of the corresponding quarter last year of RM3.26 million.

The lower profit before taxation for the current quarter was attributed to price increases of certain raw materials resulting in the lower profit margin and the continual loss suffered by the USA subsidiary.

15. Quarterly analysis

The Group's turnover for the quarter under review increased by 15.08% to RM24.26 million compared to the turnover of RM 21.08 million achieved in previous quarter. Correspondingly the profit before taxation of the Group increased by 34.87% to RM 2.63 million compared to RM1.95 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 moderate seasonality of the furniture industry.

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16. 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

17. Profit forecast

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

18. 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	378	1,538
- under/(over) provision in prior year		
Deferred taxation	260	503
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	638	2,041
	=====	=====

The effective tax rate is lower than the statutory tax rate for the quarter under review due to claim of reinvestment allowances by certain subsidiaries.

19. Sale of unquoted investments or properties

There were no sales of unquoted investments and/or properties in the current quarter and financial year to date.

20. Purchase or disposal of quoted securities

There were no purchase or disposal of Quoted Securities for the current financial period ended 30 September 2002.

21. Corporate proposals

There were no corporate proposals announced but not completed as at the date of this announcement.

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22. Group Borrowings and Debt Securities

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

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term	13,553	0	13,553
Long Term	0	0	0
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	13,553	0	13,553
	=====	=====	=====

23. Off Balance Sheet Financial Instruments

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

24. Material Litigations

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

25. Dividend

On 19 November 2002, the Company declared an interim tax exempt dividend of 2.5 cents per share for the financial year ending 31 December 2002 with the date entitlement to dividend on 12 December 2002.

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

Tan Wang Giap, MACS 00523
Secretary

(Note : Earning per share for preceding year has been adjusted by using enlarged share capital of RM60,000,000)