

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR PERIOD ENDED 31 DECEMBER 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 reported 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 31 December 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

Except as disclosed below, there were no issuances, cancellations, repurchases, resale and repayments of debt or equity securities for the financial year ended 31 December 2002:-

the issued and paid-up share capital of Lii Hen Industries Bhd ("LHIB") was increased from 40,000,000 ordinary shares of RM1.00 each in LHIB to 60,000,000 ordinary shares of RM1.00 each on the basis of one (1) new share for every two existing shares held.

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7. Dividend paid

	Year ended 31 December	
	2002	2001
	RM'000	RM'000
Final dividends paid for the year:-		
2001 - 2.5 cent tax-exempt per share paid on 31 July 2002		
- on enlarged share capital of RM60,000,000 (2000 - 3.75 cent tax-exempt per share paid on 8 August 2001)	1,500	
		1,500
	<u>1,500</u>	<u>1,500</u>

Since the end of the previous financial year, the Company paid an interim tax-exempt dividend of 3.75 cent per share for year ended 31 December 2001 on 31 January 2002 based on paid-up share capital of RM40,000,000.

On 6 January 2003, the Company paid an interim tax exempt dividend of 2.5 cent per share for the financial year ended 31 December 2002.

8. Segmental reporting

Geographical segment

	-----Current Year To Date-----		
	Turnover	Profit/ (Loss) Before Taxation	Total Assets Employed
	RM'000	RM'000	RM'000
Malaysia	83,652	10,020	99,964
USA	<u>4,462</u>	<u>(1,483)</u>	<u>5,013</u>
	<u>88,114</u>	<u>8,537</u>	<u>104,977</u>

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 year ended 31 December 2002.

10. Subsequent events

There were no material events subsequent to 31 December 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 year ended 31 December 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	2,171
- unsecured	-
Corporate guarantees for credit facilities granted to subsidiary companies (unsecured)	29,738

13. Capital commitments

There was no capital commitment as at 31 December 2002.

ADDITIONAL INFORMATION REQUIRED BY KLSE LISTING REQUIREMENT

14. Review of performance

The Group's turnover and profit before taxation for the year ended 31 December 2002 was RM88.11million and RM 8.54 million respectively in comparison with the turnover of RM82.41 million and profit before taxation of RM11.28 million for the corresponding year.

The lower profit before taxation for the year under review was mainly attributed the continual loss suffered by the Company's subsidiaries in USA and partly due to price increases of certain raw materials resulting in the lower profit margin

15. Quarterly analysis

The Group's turnover for the quarter under review remained at RM24.26 million compared to the turnover of RM 24.26 million achieved in previous quarter. Despite the same level of sales achieved , profit before taxation of the Group decreased by 14.07% to RM 2.26 million compared to RM2.63 million in previous quarter.

The decrease in profit before taxation for the current quarter compared to the immediate preceding quarter was mainly due to the increase of operating expenses and also partly due to continual loss incurred by US subsidiaries.

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16. Current year prospects

The faltering global economy and the impending US war against Iraq, 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	496	2,034
- under/(over) provision in prior year		
Deferred taxation	(105)	398
	-----	-----
	391	2,432
	=====	=====

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.

As there is no group relief for loss sustained by US subsidiaries, the effective tax rate of the Group for the year-to-date is almost the same as statutory tax rate though certain subsidiaries have claimed reinvestment allowances.

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 year ended 31 December 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 31 December 2002 are as follows :-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term	12,732	0	12,732
Long Term	0	0	0
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	12,732	0	12,732
	=====	=====	=====

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. Dividends

At the date of this quarterly report, no final dividend has been proposed in respect of the financial year ended 31 December 2002.

26. Basic Earning per Share

	Current Quarter 31 December		Year to Date 31 December	
	2002	2001	2002	2001
Profit attributable to shareholders (RM'000)	1,867	2,893	6,105	8,378
Weighted average number of shares (000)	60,000	40,000	51,667	40,000
Basic Earning per Share (sen)	3.11	7.23	11.82	20.95

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

Tan Wang Giap, MACS 00523
Secretary

25 February 2003