

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2003**

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 2002.

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 2002, except for the adoption of MASB 25, which became effective from 1 January 2003. The changes and effects of adopting MASB 25 which resulted in prior year adjustments are as follows:-

(a) Change in Accounting Policy

Previously, deferred taxation was provided for using liability method for all timing differences except when there was reasonable evidence that such timing difference would not be reversed in the foreseeable future. The Group has now changed its accounting policy from partial allocation basis to full allocation basis, i.e. all timing differences have been accounted for.

(b) Prior Year Adjustments

The change in accounting policy has been accounted for retrospectively and the effects on the Group's financial statements are as follows :-

	As previously reported RM'000	Effect of change in policy RM'000	As restated RM'000
At 01 January 2003			
- retained earnings	18,874	(2,911)	15,963
- deferred taxation liabilities	2,256	2,911	5,167
	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended
	31.03.2003	31.03.2002	31.03.2003 31.03.2002
	RM	RM	RM RM
Effects on net profit for the period:			
Net profit before changes in accounting policies	(49)	1,192	(49) 1,192
Effects of adopting MASB 25	59	(36)	59 (36)
	10	1,156	10 1,156

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2. Qualified audit report

The preceding financial statements for the year ended 31 December 2002 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 31 March 2003.

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 31 March 2003.

7. Dividend Paid

In respect of the financial year ended 31 December 2002 as reported in the directors' report of that year, the Company paid an interim tax exempt dividend of 2.5 cent per share amounted to RM1.5 million on 6 January 2003 based on paid-up share capital of RM60,000,000.

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8. Segmental reporting

a) Analysis by activity :-

	Investment holding	Manufacturing	Marketing and distribution	Eliminated	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE AND EXPENSES					
Revenue					
External Sales	-	13,605	5,971	-	19,576
Inter-segment revenue	-	6,131		(6,131)	-
Total	-	19,736	5,971	(6,131)	19,576
Results					
Segment Results	-	560	147	-	707
Unallocated corporate expense					(94)
Profit from operations					613
Finance cost, net					(200)
Profit before taxation					413
Taxation					(403)
Net profit for the year					10

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	Investment holding	Manufacturing	Marketing and distribution	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS AND LIABILITIES					
Segment assets	-	92,043	11,812	-	103,855
Unallocated corporate assets					290
Consolidated total assets					104,145
Segments liabilities	-	9,536	11,682	-	21,218
Unallocated corporate liabilities					82
Consolidated total liabilities					21,300
OTHER INFORMATION					
Capital expenditure	-	229	40	-	269
Depreciation	22	954	14	-	990
Amortisation	-	15	10	-	25
Non-cash expenses other than depreciation and amortisation	-	-	-	-	-

b) Analysis by geographical location:

	Total revenue from external customers RM'000	Segment assets RM '000	Capital expenditure RM'000
Malaysia	17,556	99,236	229
United States of America	2,020	4,909	40
	<u>19,576</u>	<u>104,145</u>	<u>269</u>

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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 period ended 31 March 2003.

10. Subsequent events

There were no material events subsequent to 31 March 2003 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 period ended 31 March 2003.

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	2,429
- unsecured	-
Corporate guarantees for credit facilities granted to subsidiary companies (unsecured)	29,738

13. Capital commitments

There was no capital commitment as at 31 March 2003.

ADDITIONAL INFORMATION REQUIRED BY KLSE LISTING REQUIREMENT

14. Review of performance

The Group's turnover for the period ended 31 March 2003 increased by 5.75% to RM19.58 million compared to the turnover of RM 18.51 million in the corresponding quarter last year. Despite the marginal increase, the Group's profit before taxation decreased substantially by 75.42% from RM 1.68 million to RM 0.413 million.

The lower profit before taxation for the period under review was mainly attributed to the lower profit margin due to competitive pricing and higher operating cost incurred especially the subsidiaries in USA.

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15. Quarterly analysis

The Group's turnover for the quarter under review decreased by 21.56% to RM 19.58 million compared to the turnover of RM24.96 million achieved in previous quarter. Correspondingly the profit before taxation of the Group decreased by 82.27% to RM0.413 million compared to RM2.33 million in previous quarter.

The decrease in profit before taxation for the current quarter compared to the immediate preceding quarter was mainly due to seasonal trends of the industry; increase of operating expenses especially for the participation in the exhibition and promotion and bonus paid to employees on January 2003.

16. Current year prospects

The faltering global economy and the onset of the Severe Acute Respiratory Syndrome (SARS), 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	215	215
- under/(over) provision in prior year		
Deferred taxation	188	188
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	403	403
	=====	=====

The effective tax rate is higher than the statutory tax rate for the quarter under review was due to the losses of certain subsidiaries which cannot be set off against taxation profits made by other subsidiaries, and certain expenses which are not deductible for tax purposes.

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.

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20. Purchase or disposal of quoted securities

There were no purchase or disposal of Quoted Securities for the current financial period ended 31 March 2003.

21. Corporate proposals

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

22. Group Borrowings and Debt Securities

The Group's borrowings as at 31 March 2003 are as follows :-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term	13,461	-	13,461
Long Term	-	-	-
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	13,461	-	13,461
	=====	=====	=====

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

The board has proposed a final tax exempt dividend of 1.5 cents per share for the financial year ended 31 December 2002(2001: 2.5 cents per share). The proposed final dividend amounting to RM900,000 (2001: RM1.5 million) if approved by members at the forthcoming Annual General Meeting held on 18 June 2003 will be paid on July 2003.

A Depositor shall qualify for entitlement only in respect of:-

- (a) Share transferred into the Depositor's Securities Account before 4.00 p.m. on 8 July 2003 in respect of ordinary transfer, and
- (b) Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

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26. Basic Earning per Share

	Current Quarter		Year to Date	
	31 March		31 March	
	2003	2002	2003	2002
Profit attributable to shareholders (RM'000)	10	1,156	10	1,156
Weighted average number of shares (000)	60,000	60,000	60,000	60,000
Basic Earning per Share (sen)	0.02	1.93	0.02	1.93

Notes: The EPS for 2002 is calculated by net profit attributable to ordinary shares over number of ordinary shares after the bonus issue.

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

Tan Wang Giap, MACS 00523
Secretary

26 May 2003