

**NOTES TO THE QUARTERLY FINANCIAL REPORT  
FOR THE PERIOD ENDED 31 DECEMBER 2006**

**1. Basis of Preparation**

The interim financial report is unaudited and has been prepared in compliance with FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2005.

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 2005

**2. Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised FRSs effective for the financial period beginning 1 January 2006.

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rate
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earning Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

The adoption of FRS above does not have significant financial impact on the Group for the current quarter under review. The effect of the changes in accounting policies resulting from the adoption of the new FRS3 : Business Combinations are as follows: -

- (i) The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138.

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- (ii) Following the adoption of these new FRSs, goodwill is no longer amortised but instead is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in profit and loss and subsequent reversal is not allowed. The carrying amount of goodwill as at 1 January 2006 of RM178,654 ceased to be amortised. This has the effect of reducing the amortisation charges by RM4,963 in the current quarter.

**3. Qualified audit report**

The preceding financial statements for the year ended 31 December 2005 were report on without any qualification.

**4. 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.

**5. Unusual items**

There were no unusual items affecting the Group for the financial period ended 31 December 2006

**6. Changes in estimates**

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

**7. Debts and equity securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt or equity securities for the financial period ended 31 December 2006.

**8. Dividend Paid**

The Company on 25<sup>th</sup> July 2006 had made the payment of first and final dividend of 1.5% less tax per ordinary share amounted to RM648,000 in respect of financial year ended 31<sup>st</sup> December 2005 to depositors registered in the Records of Depositors at close of business on 6<sup>th</sup> July 2006.

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**9. Segmental reporting**

Analysis by activity :-

	Investment Holding	Manufacturing	Marketing And distribution	Eliminated	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>REVENUE AND EXPENSES</b>					
<b>Revenue</b>					
External Sales	-	130,591	7,859	-	138,450
Inter-segment revenue	-	11,227	-	(11,227)	-
Total	-	141,818	7,859	(11,227)	138,450
<b>Results</b>					
Segment Results	-	3,571	456	-	4,027
Unallocated corporate expense					(1,424)
Profit from operations					2,603
Finance cost, net					(818)
Profit before taxation					1,785
Taxation					(986)
Profit after tax					799

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**9. Segmental reporting**

	Investment holding	Manufacturing	Marketing and distribution	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS AND LIABILITIES</b>					
Segment assets		109,716	3,276		112,992
Unallocated corporate assets					279
Consolidated total assets					113,271
Segments liabilities		28,412	90		28,502
Unallocated corporate liabilities					20
Consolidated total liabilities					28,522
<b>OTHER INFORMATION</b>					
Capital expenditure		1,140			827
Depreciation		3,866	100		3,966

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**10. Valuation of property, plant and equipment**

The properties, which were revalued on 2004 have been brought forward from the previous financial statements and there were no valuations of property, plant and equipment for the period ended 31 December 2006

**11. Subsequent events**

There were no material events subsequent to 31 December 2006 at the date of this quarterly report.

**12. Changes in the composition of the Group**

There were no changes in the composition of the Company for the period ended 31 December 2006.

**13. 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	3,172
- unsecured	-
Corporate guarantees for credit facilities granted to subsidiary companies ( unsecured )	48,125

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### ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS

#### 14. Review of performance

	Revenue RM'000	Profit before tax RM'000	Profit after tax RM'000
12 months ended 31 December 2006	138,450	1,785	799
=====			
12 months ended 31 December 2005	103,200	1,113	706
=====			

The Group's turnover for the year ended 31 December 2006 had increased by 34.16% from RM103.20 million to RM138.45 million as compared to the preceding year. In line with the increased in turnover, the Group's profit before tax improved by 61.26% from RM1.11 million to RM1.79 million.

The increase in turnover was mainly attributed to the introduction of the bedroom line in 2005 where full capacity was achieved in the current year under review. The higher profit before tax achieved compared to last year was mainly due to increase in turnover irrespective of the loss incurred on the disposal of a loss making subsidiary company, amounted to RM1.24 million and the written off of bad debts of RM0.89 million.

#### 15. Quarterly analysis

	Revenue RM'000	Profit/(loss) before tax RM'000	Profit/(loss) after tax RM'000
Third quarter ended 30 Sept 2006	35,851	634	305
=====			
Fourth quarter ended 31 Dec 2006	36,583	518	421
=====			

The turnover for the current quarter registered at RM36.58 million which remain quite constant compared to the immediate preceding quarter of RM35.85 million. However the profit before tax of the current quarter reduced 17.46% to RM0.52 million as compared to RM0.63 million of the preceding quarter.

In the fourth quarter RM0.89 million of bad debts were written off as compared to loss on disposal of subsidiary company of RM1.24million incurred in the immediate preceding quarter.

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**16. Current year prospects**

The prevailing global market conditions shall continue to have impact on the Group's export and local operations. The continuing weakening of the USD Dollar against the Ringgit Malaysian will exert an adverse impact on the performance of the Group. However the Group will take appropriate steps to mitigate the foreign exchange risks faced by the Group. Appropriate cost saving measures and efforts will continue to be employed to improve on the Group's operation efficiencies. Barring any unforeseen circumstances, the Group remains optimistic on the prospect of the global furniture industry in year 2007.

**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 period	85	611
- under/(over) provision in prior year	-	4
- Deferred taxation	12	371
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	97	986
	=====	=====

The lower effective tax rate for the current quarter under review was due to tax incentive claim of certain subsidiary companies.

**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 31 December 2006.

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**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 December 2006 are as follows: -

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term	8,856	-	8,856
Long Term	4,251	-	4,251
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	13,107	-	13,107
	=====	=====	=====

**23. Off Balance Sheet Financial Instruments**

There were no financial instruments with off balance sheet risk during the financial period ended 31 December 2006.

**24. Material Litigations**

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

**25. Dividends**

No dividend was declared for the period ended 31 December 2006.



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### 26. Basic Earning per Share

	Current Quarter		Year to Date	
	31 December		31 December	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Profit attributable to shareholders	421	1,536	799	706
Weighted average number of shares	60,000	60,000	60,000	60,000
Basic Earning per Share	0.70	2.56	1.33	1.18

### 27. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 February 2007

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

Tan Wang Giap, MACS 00523  
Secretary