# FINANCIAL STATEMENTS

## Contents



The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2005.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary companies are as set out in note 5 to the financial statements.

There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year except that the Company has acquired a subsidiary company, Favourite Design Sdn. Bhd., which is principally engaged in furniture manufacturing.

## RESULTS

The net profit for the year of the Group and of the Company were RM706,340 and RM1,348,955 respectively.

## DIVIDEND

The dividend paid or declared by the Company since the end of the previous financial year was as follows:

| | RM |
|---|---|
| In respect of the year ended 31 December 2004,<br>as shown in the directors' report of that year, | |
| -first and final dividend of 2% less 28% tax declared on<br>16 June 2005 and paid on 29 July 2005 | 864,000 |

The directors proposed a first and final dividend of 1.5% less 28% tax amounting to RM648,000 in respect of year ended 31 December 2005, subject to the approval of members at the forthcoming Annual General Meeting.

## ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.



## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in statements of changes in equity and notes to the financial statements.

## DIRECTORS

The directors in office since the date of the last report are:-

**Chua Lee Seng**
**Tok Heng Leong**
**Mohd Qari Bin Ahmad**
**Tan Bee Eng**
**Chua Yong Haup**
**Tey Ping Cheng**
**Onn Yee Han (Appointed on 30.12.2005)**
**Chua Tuan Meng (Resigned on 30.12.2005)**

In accordance with the Company's articles of association, Messrs. Chua Yong Haup, Tey Ping Cheng and Onn Yee Han retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## EMPLOYEES' SHARE OPTION SCHEME

During the financial year, the Company has yet to grant options under the Employees' Share Option Scheme ("ESOS") governed by the ESOS By-Laws that was approved by the shareholders of the Company at the Extraordinary General Meeting held on 7 February 2002. Pursuant to the scheme, options to subscribe for ordinary shares of RM1 each are granted to eligible employees of the Group, including executive directors of any company in the Group.

The salient features of the ESOS are as disclosed in note 17 to the financial statements.

## DIRECTORS' SHAREHOLDINGS

The directors holding office at the year end and their interests in share capital of the Company during the financial year were as follows:
Number of ordinary shares of RM1 each

| | Balance 01.01.2005 | Bought | Sold | Balance 31.12.2005 |
|---|---|---|---|---|
| **Registered in the name of directors:** | | | | |
| - Chua Lee Seng | 336,102 | - | - | 336,102 |
| - Tok Heng Leong | 150,043 | - | - | 150,043 |
| - Mohd Qari Bin Ahmad | 1,031,500 | - | - | 1,031,500 |
| - Tan Bee Eng | 197,665 | - | - | 197,665 |
| - Chua Yong Haup | 427,749 | - | (427,749) | - |
| **Deemed interest:** | | | | |
| - Chua Lee Seng | 25,386,170 | - | - | 25,386,170 |
| - Tok Heng Leong | 25,386,170 | - | - | 25,386,170 |
| - Mohd Qari Bin Ahmad | 4,168,500 | - | - | 4,168,500 |
| - Tan Bee Eng | - | 25,386,170 | - | 25,386,170 |

## DIRECTORS' SHAREHOLDINGS - continued

By virtue of their interests in the shares of the Company, Messrs. Chua Lee Seng, Tok Heng Leong and Tan Bee Eng are also deemed to have interests in the shares of all the subsidiary companies to the extent that the Company has an interest.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any other interest in shares in the Company or its subsidiary companies during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than emoluments shown in note 21(b) to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except as disclosed in note 27 to the financial statements.

Neither during nor at the end of the financial year, was the Company or any of its subsidiary companies a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## OTHER STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

(a) Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that no allowance for doubtful debts is required; and

   (ii) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances:

   (i) which would render the amounts written off for bad debts inadequate to any substantial extent or would require any amounts to be allowed for as doubtful debts in the financial statements of the Group and of the Company,

   (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading,

**OTHER STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS** - continued

(b) At the date of this report, the directors are not aware of any circumstances:

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

(iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

(c) At the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person, or

(ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

(d) No contingent or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

(e) In the opinion of the directors:

(i) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year.

## AUDITORS

John Lim & Associates have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a
resolution of the directors dated 22 April 2006

..............................

**Chua Lee Seng**
Managing Director

..............................

**Tan Bee Eng**
Director

Muar

Date : 22 April 2006

# STATEMENT BY DIRECTORS

We, the undersigned, being two of the directors of Lii Hen Industries Bhd. do hereby state that, in the opinion of the directors, the accompanying balance sheets, statements of income, of changes in equity and of cash flow together with the notes attached thereto are drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a
resolution of the directors dated 22 April 2006

.............................

**Chua Lee Seng**
Managing Director

.............................

**Tan Bee Eng**
Director

Date : 22 April 2006

# STATUTORY DECLARATION

I, Lydia Sim Lee Hea, the officer primarily responsible for the financial management of Lii Hen Industries Bhd., do solemnly and sincerely declare that the accompanying balance sheets, statements of income, of changes in equity and of cash flow together with the notes thereto are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared )<br>
by the abovenamed at Muar in the )<br>
State of Johore on 22 April 2006 )

**Lydia Sim Lee Hea**

Before me,

Hj. Salleh Bin Jamal<br>
(No. J 120)<br>
Commissionar for Oaths

# REPORT OF THE AUDITORS
## To The Members Of LII HEN INDUSTRIES BHD.

We have audited the accompanying balance sheets, statements of income, of changes in equity and of cash flow, together with the notes thereto. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting to the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-

 (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

 (ii) the state of affairs of the Group and of the Company at 31 December 2005 and of the results of the operations and cash flows of the Group and of the Company for the year ended on that date;

and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

Our audit reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Companies Act, 1965.

**JOHN LIM & ASSOCIATES**
A.F. No. 0393
Chartered Accountants

**LIM JOHN @ LIM WAN SHOW**
1148/2/08(J)
Chartered Accountant

Date : 22 April 2006

67, 2nd Floor, Room A
Jalan Ali, 84000 Muar
Johor Darul Takzim

Phone: 06-9515317 / 9523513
E-mail: johnlws@tm.net.my

# CONSOLIDATED BALANCE SHEET
## AS AT 31 DECEMBER 2005

| | NOTE | 2005 | 2004 |
|---|---|---|---|
| **PROPERTY, PLANT AND EQUIPMENT** | 4 | 53,593,566 | 51,013,378 |
| **GOODWILL ON CONSOLIDATION** | 6 | 178,654 | 60,358 |
| **INSTALMENT RECEIVABLES** | 9 | 517,215 | 245,437 |
| **CURRENT ASSETS** | | | |
| Inventories | 8 | 27,341,544 | 30,846,854 |
| Trade receivables | 9 | 17,775,084 | 19,827,734 |
| Other receivables | 10 | 4,523,350 | 1,510,859 |
| Tax recoverable | 11 | 1,072,300 | 2,592,797 |
| Fixed deposits with licensed bank | | 156,832 | 151,240 |
| Cash and bank balances | | 5,756,140 | 6,582,967 |
| | | 56,625,250 | 61,512,451 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 12 | 8,177,769 | 3,988,428 |
| Other payables | 13 | 3,217,742 | 4,691,388 |
| Dividend payable | | 13,632 | 19,977 |
| Tax payable | 11 | 19,848 | 265,927 |
| Borrowings | 14 | 8,379,320 | 16,424,298 |
| | | 19,808,311 | 25,390,018 |
| Net current assets | | 36,816,939 | 36,122,433 |
| **NON-CURRENT LIABILITIES** | | | |
| Term loans | 14 | (3,955,596) | - |
| Hire purchase payables | 15 | (650,779) | (477,221) |
| Deferred taxation | 16 | (1,901,741) | (2,208,467) |
| | | (6,508,116) | (2,685,688) |
| | | 84,598,258 | 84,755,918 |
| Financed by:- | | | |
| **SHARE CAPITAL** | 17 | 60,000,000 | 60,000,000 |
| **RESERVES** | 18 | 24,598,258 | 24,755,918 |
| | | 84,598,258 | 84,755,918 |

The annexed notes form an integral part of the financial statements.

# CONSOLIDATED INCOME STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2005

| | NOTE | 2005 | 2004 |
|---|---|---|---|
| **REVENUE** | | | |
| - continuing operations: existing | | 87,401,313 | 91,266,330 |
| - continuing operations: new acquisition | 26(a) | 15,798,708 | 575,799 |
| | 19 | 103,200,021 | 91,842,129 |
| Cost of sales | | (91,181,474) | (78,750,025) |
| **GROSS PROFIT** | | 12,018,547 | 13,092,104 |
| **OTHER OPERATING INCOME** | 20 | 936,852 | 1,475,590 |
| | | 12,955,399 | 14,567,694 |
| Administrative expenses | | (6,645,103) | (6,776,453) |
| Selling expenses | | (4,485,272) | (3,466,346) |
| **PROFIT FROM OPERATIONS** | 21 | | |
| - continuing operations: existing | | 559,553 | 4,542,144 |
| - continuing operations: new acquisition | 26(a) | 1,265,471 | (217,249) |
| | | 1,825,024 | 4,324,895 |
| Finance cost | 22 | (711,756) | (722,511) |
| **PROFIT BEFORE TAXATION** | | 1,113,268 | 3,602,384 |
| **TAXATION** | 11 | (406,927) | (708,667) |
| **NET PROFIT FOR THE YEAR** | | 706,340 | 2,893,717 |
| **EARNINGS PER SHARE (sen)** | 23 | | |
| - basic | | 1.18 | 4.82 |
| - diluted | | - | - |
| **NET DIVIDENDS PER ORDINARY SHARE IN RESPECT OF THE YEAR (sen)** | 24 | 1.44 | 1.44 |

The annexed notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2005

| | Note | Issued and fully paid ordinary shares of RM1 each | Non-distributable | | Distributable | |
|---|---|---|---|---|---|---|
| | | **Share Capital RM** | **Share Premium RM** | **Revaluation Reserve RM** | **Retained Profit RM** | **Total RM** |
| As at 01 January 2004 | | 60,000,000 | 1,432,852 | - | 18,810,512 | 80,243,364 |
| Surplus on revaluation of property, plant and equipment | | - | - | 2,482,837 | - | 2,482,837 |
| Dividends | 24 | - | - | - | (864,000) | (864,000) |
| Net profit for the year | | - | - | - | 2,893,717 | 2,893,717 |
| As at 31 December 2004 | | 60,000,000 | 1,432,852 | 2,482,837 | 20,840,229 | 84,755,918 |
| As at **01 January 2005** | | **60,000,000** | **1,432,852** | **2,482,837** | **20,840,229** | **84,755,918** |
| **Amortisation of revaluation reserve** | | **-** | **-** | **(40,798)** | **40,798** | **-** |
| **Net gain not recognised in the income statement** | | **-** | **-** | **(40,798)** | **40,798** | **-** |
| **Dividends** | **24** | **-** | **-** | **-** | **(864,000)** | **(864,000)** |
| **Net profit for the year** | | **-** | **-** | **-** | **706,340** | **706,340** |
| **As at 31 December 2005** | | **60,000,000** | **1,432,852** | **2,442,039** | **20,723,367** | **84,598,258** |

The annexed notes form an integral part of the financial statements.

# CONSOLIDATED CASH FLOW STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2005

| | NOTE | 2005 | 2004 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before taxation | | 1,113,268 | 3,602,384 |
| Adjustments for: | | | |
| Allowance for doubtful debts | | - | 98,018 |
| Amortisation of goodwill on consolidation | | 80,209 | 60,355 |
| Bad debts written off | | 391,162 | 759,078 |
| Deposit forfeited | | 3,000 | 16,220 |
| Depreciation | | 4,317,801 | 4,253,942 |
| Expenditure on increase of authorised capital | | - | 4,200 |
| Interest expenses | | 711,756 | 722,511 |
| Loss on disposal of property, plant and equipment | | 10,916 | 3,384 |
| Preliminary expenses written off | | - | 2,600 |
| Pre-operating expenses written off | | - | 63,754 |
| Property, plant and equipment written off | | 6,004 | 531 |
| Allowance for doubtful debts no longer required | | (98,018) | (618,287) |
| Gain on disposal of property, plant and equipment | | (78,922) | (108,652) |
| Interest income | | (55,157) | (21,201) |
| Unrealised foreign exchange gain | | (41,016) | (83,147) |
| Operating profit before working capital changes | | 6,361,003 | 8,755,690 |
| Increase/(decrease) in inventories | | 6,408,786 | (5,010,400) |
| Increase in receivables | | (564,670) | (608,235) |
| (Decrease)/increase in payables | | (2,354,902) | 1,787,588 |
| Cash generated from operations | | 9,850,217 | 4,924,643 |
| Income tax refund | | 1,657,747 | 925,573 |
| Interest paid | | (711,756) | (722,815) |
| Income tax paid | | (1,096,688) | (749,713) |
| Expenditure on increase of authorised capital | | | |
| incurred | | - | (4,200) |
| Preliminary expenses incurred | | - | (2,600) |
| Pre-operating expenses incurred | | - | (63,754) |
| Net cash from operating activities | | 9,699,520 | 4,307,134 |

# CONSOLIDATED CASH FLOW STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2005

| | NOTE | 2005 | 2004 |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | 25(a) | (1,002,044) | (4,773,057) |
| Cash flow on acquisition/incorporation of subsidiaries, net of cash acquired | 26(c) | (1,735,008) | - |
| Proceeds from disposal of property, plant and equipment | | 352,764 | 169,348 |
| Interest received | | 55,240 | 21,217 |
| Net cash used in investing activities | | (2,329,048) | (4,582,492) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Drawdown of term loan | | 2,635,000 | - |
| Bankers acceptances | | (7,456,036) | 4,117,860 |
| Repayment of loan payable | | - | (36,667) |
| Repayment of hire purchase payables | | (398,085) | (420,118) |
| Repayment of term loans | | (145,009) | - |
| Dividend paid | | (864,066) | (862,348) |
| Placement of fixed deposits pledged to banks | | (5,592) | (5,555) |
| Net cash (used in)/from financing activities | | (6,233,788) | 2,793,172 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | 1,136,684 | 2,517,814 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | | 2,904,435 | 386,621 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | 25(b) | 4,041,119 | 2,904,435 |

The annexed notes form an integral part of the financial statements.

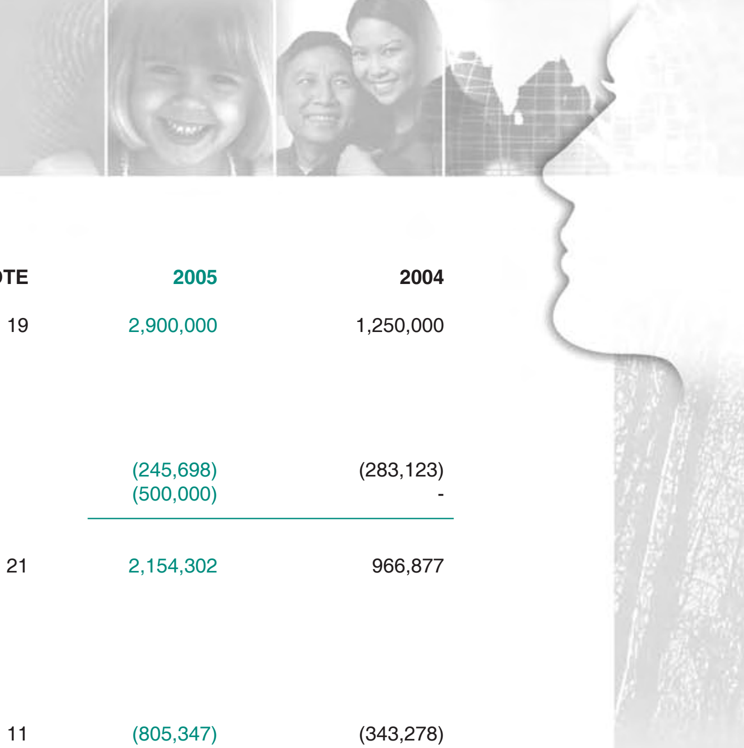
# BALANCE SHEET
## AS AT 31 DECEMBER 2005

| | NOTE | 2005 | 2004 |
|---|---|---|---|
| **PROPERTY, PLANT AND EQUIPMENT** | 4 | - | 48,954 |
| **INVESTMENT IN SUBSIDIARY COMPANIES** | 5 | 28,448,852 | 27,677,520 |
| **AMOUNTS DUE BY SUBSIDIARY COMPANIES** | 7 | 33,946,081 | 34,998,080 |
| **CURRENT ASSETS** | | | |
| Deposit and prepayments | 10 | 11,294 | 5,505 |
| Tax recoverable | 11 | 26,794 | 20,141 |
| Bank balances | | 105,105 | 46,980 |
| | | 143,193 | 72,626 |
| **CURRENT LIABILITIES** | | | |
| Accruals | 13 | 12,850 | 13,096 |
| Dividend payable | | 13,632 | 19,977 |
| | | 26,482 | 33,073 |
| Net current assets | | 116,711 | 39,553 |
| | | 62,511,644 | 62,764,107 |
| Financed by: | | | |
| **SHARE CAPITAL** | 17 | 60,000,000 | 60,000,000 |
| **RESERVES** | 18 | 2,511,644 | 2,764,107 |
| | | 62,511,644 | 62,764,107 |



The annexed notes form an integral part of the financial statements.

# INCOME STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2005



| | NOTE | 2005 | 2004 |
|---|---|---|---|
| **REVENUE** | 19 | 2,900,000 | 1,250,000 |
| Administrative expenses | | (245,698) | (283,123) |
| Other operating expenses | | (500,000) | - |
| **PROFIT BEFORE TAXATION** | 21 | 2,154,302 | 966,877 |
| **TAXATION** | 11 | (805,347) | (343,278) |
| **NET PROFIT FOR THE YEAR** | | 1,348,955 | 623,599 |
| **NET DIVIDENDS PER ORDINARY SHARE IN RESPECT OF THE YEAR (sen)** | 24 | 1.44 | 1.44 |

The annexed notes form an integral part of the financial statements.

# STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2005

| | Note | Issued and fully paid ordinary shares of RM1 each | Non-distributable | | Distributable | |
|---|---|---|---|---|---|---|
| | | Share Capital | Share Premium | Investment Revaluation Reserve | Retained Profit | Total |
| | | RM | RM | RM | RM | RM |
| As at 01 January 2004 | | 60,000,000 | 1,432,852 | - | 552,654 | 61,985,506 |
| Surplus on revaluation of investment in subsidiary company | | - | - | 1,019,002 | - | 1,019,002 |
| Dividends | 24 | - | - | - | (864,000) | (864,000) |
| Net profit for the year | | - | - | - | 623,599 | 623,599 |
| As at 31 December 2004 | | 60,000,000 | 1,432,852 | 1,019,002 | 312,253 | 62,764,107 |
| **As at 01 January 2005** | | **60,000,000** | **1,432,852** | **1,019,002** | **312,253** | **62,764,107** |
| **Dividends** | **24** | **-** | **-** | **-** | **(864,000)** | **(864,000)** |
| **Impairment loss on investment in subsidiary company debited to investment revaluation reserve** | | **-** | **-** | **(737,418)** | **-** | **(737,418)** |
| **Net loss not recognised in the income statement** | | **-** | **-** | **(737,418)** | **-** | **(737,418)** |
| **Net profit for the year** | | **-** | **-** | **-** | **1,348,955** | **1,348,955** |
| **As at 31 December 2005** | | **60,000,000** | **1,432,852** | **281,584** | **797,208** | **62,511,644** |

The annexed notes form an integral part of the financial statements.

# CASH FLOW STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2005

| | NOTE | 2005 | 2004 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before taxation | | 2,154,302 | 966,877 |
| Adjustments for: | | | |
| Depreciation | | 48,954 | 90,373 |
| Dividend income | | (2,900,000) | (1,250,000) |
| Impairment loss on investment in subsidiary company | | 500,000 | - |
| Operating loss before working capital changes | | (196,744) | (192,750) |
| (Increase)/decrease in receivables | | (5,789) | 12,581 |
| (Decrease)/increase in payables | | (246) | 3,927 |
| Cash used in operations | | (202,779) | (176,242) |
| Dividend received from subsidiary companies | | 2,088,000 | 900,000 |
| Net cash from operating activities | | 1,885,221 | 723,758 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Decrease in amounts due by subsidiary companies | | 1,051,999 | 620,000 |
| Investment in subsidiary company | 26(c) | (2,008,750) | (500,000) |
| Net cash (used in)/from investing activities | | (956,751) | 120,000 |
| **CASH FLOWS FROM FINANCING ACTIVITY** | | | |
| Dividend paid | | (864,066) | (862,348) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | 64,404 | (18,590) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | | 27,196 | 45,786 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | 25(b) | 91,600 | 27,196 |

The annexed notes form an integral part of the financial statements.

## 1. GENERAL

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are as set out in note 5 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year except that the Company has acquired a subsidiary company, Favourite Design Sdn. Bhd., which is principally engaged in furniture manufacturing.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed in the Main Board of the Bursa Malaysia Securities Berhad.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The preparation of financial statements in conformity with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 3. SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous year.

### a) Accounting basis

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise stated in the individual policy statements set out below.

### b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies. Subsidiary companies are those enterprises in which the Company has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiary companies are consolidated using acquisition method of consolidation except for certain subsidiary companies, as disclosed in note 5 to the financial statements, which were consolidated prior to 1 July 2001 using the merger method of consolidation.

As allowed by Financial Reporting Standard 122, Business Combinations, the recognition criteria of a business combination under the merger method of accounting will be applied prospectively. Subsidiary companies previously consolidated on the merger method of accounting will continue to apply.

Under the acquisition method of accounting, the difference between the purchase consideration over the sum of the fair value of the identifiable net assets of the subsidiary companies at the date of acquisition is included in the consolidated financial statements as goodwill arising on consolidation. The results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### b) Basis of consolidation - continued

Under the merger method of accounting, the results of the subsidiary companies are presented as if the companies had been combined throughout the current and previous financial years. The difference between the nominal value of the share capital issued as purchase consideration and the nominal value of the share capital of the subsidiary companies acquired is taken to merger reserve or deficit. Any merger deficit arising is written off against reserves and retained profits.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are also eliminated on consolidation unless the cost cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between the net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill which were not previously recognised in the consolidated income statement.

### c) Investments

Investment in subsidiary companies, which are eliminated on consolidation, are stated at cost less impairment losses except for a subsidiary company, Kejora Juara Sdn. Bhd. ("KJSB") which is stated at 2004 valuation by the directors on the basis of net assets value of the subsidiary company. Allowance for diminution in value is made where in the opinion of the directors, there is a permanent diminution in the value of the investments.

The investment in KJSB will be revalued every 5 years based on a valuation by an independent valuer on an open market value basis. Surplus arising from revaluation is credited directly to investment revaluation reserve. Deficit in excess of the revaluation reserve arising from previous revaluation is charged to the income statement.

Permanent diminution in value of an investment is recognised as an expense in the year in which the diminution is identified.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is charged or credited to income statement.

### d) Goodwill

Goodwill arising on consolidation represents the excess of the purchase consideration over the sum of the fair value of the identifiable net assets of the subsidiary company at the date of acquisition. Goodwill is stated at cost less accumulated amortisation and impairment losses. Goodwill is amortised evenly over its expected useful economic lives, not exceeding 10 years and is charged to the income statement.

The carrying amount of goodwill is reviewed annually and written down for impairment where it is considered necessary.

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### e) Property, plant and equipment

The gross carrying amounts of property, plant and equipment are initially measured at cost. Land and buildings which have been subsequently revalued, are stated at valuation less accumulated depreciation and impairment losses. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Revaluation of land and buildings is undertaken every 5 years based on a valuation by an independent valuer on an open market value basis. Surplus arising from revaluation is credited directly to asset revaluation reserve. Deficit in excess of the revaluation reserve arising from previous revaluation is charged to the income statement. Subsequent to revaluation, any addition is stated at cost.

Gain or loss arising from the disposal of an item of property, plant and equipment is determined by the difference between the net disposal proceeds and its carrying amount and is credited or charged to income statement. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

### f) Depreciation

Freehold land is not amortised as it is deemed to have an infinite life.

Depreciation for all the other property, plant and equipment is calculated so as to write off the cost of the assets or their revalued amounts to their residual value on a straight line basis over the expected useful lives of the assets concerned.

The annual rates in use are as follows:-

| | |
|---|---|
| Long leasehold land | over lease period of 52 - 60 years |
| Factory and kiln drying buildings | 2% |
| Furniture, fittings and office equipment | 5% - 20% |
| Labour line | 10% |
| Motor vehicles | 20% |
| Plant, machinery and equipment | 10% - 25% |
| Renovation | 20% |
| Store | 10% - 20% |

Fully depreciated property, plant and equipment are retained in the financial statements until such time when they are no longer in use.



### g) Inventories

Inventories are valued at the lower of cost (determined principally on first-in first-out method) and net realisable value.

The cost of raw materials comprises costs of purchase. The cost of finished goods and work-in-progress represent raw materials, direct labour and the appropriate production overheads.

Net realisable value is the estimate of the selling price in the ordinary course of business, less cost of completion and selling expenses. In arriving at net realisable value, due allowances are made for all obsolete and slow-moving items.

3. **SIGNIFICANT ACCOUNTING POLICIES** – continued

h) **Receivables**

Trade and other receivables are stated at cost less allowances for doubtful debts.

Known bad debts are written off while allowance for doubtful debts is made for debts considered to be doubtful of collection.

i) **Liabilities**

Trade and other payables are stated at cost.

j) **Hire purchase**

Assets held under hire purchase agreements are capitalised in the balance sheet and are depreciated in accordance with the policy set out in (f) above. Outstanding obligations due under the hire purchase agreements after deducting finance expenses are included as liabilities in the financial statements. The finance expenses are charged to the income statement to give a constant periodic rate of interest in the remaining hire purchase liabilities.

k) **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

l) **Income tax**

Tax expense is the aggregate amount of current and deferred tax included in the determination of net profit or loss. The tax rates enacted or substantively enacted by the balance sheet date are used to determine the current tax.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### m) Dividends

Dividend payments are accounted for in shareholders' equity as an appropriation of retained profit in the year in which the shareholders' rights to receive payment are established.

### n) Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received.

Borrowings costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period.

All other borrowing costs are recognised as an expense in the income statements in the period in which they are incurred.

### o) Currency translations

Foreign currency transactions are converted into Malaysian Ringgit at the rates of exchange approximating those ruling at the transaction dates and where settlement had not taken place at the balance sheet date, at the approximate rates ruling at that date. Exchange gains and losses are dealt through the income statements.

The exchange rates ruling at the balance sheet date used are as follows:

| | 2005<br>RM | 2004<br>RM |
|---|---|---|
| 1 United States Dollar | 3.78 | 3.80 |
| 1 Singapore Dollar | 2.27 | 2.32 |

3. **SIGNIFICANT ACCOUNTING POLICIES** – continued

p) **Employee benefits**

i) **Short term employee benefits**

Wages, salaries, social security contribution and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees.

No accrual of unutilised annual leave is provided in the financial statements as it is the Group's policy to disallow it to be carried forward.

ii) **Post-employment benefits**

The Group contributes to the Employees' Provident Fund, the national defined contribution plan. Such contributions are charged to the income statements in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

iii) **Equity compensation benefits**

Details of the Group's Employees' Share Option Scheme are set out in note 17 to the financial statements. The Group does not make a charge to the income statements in connection with share options granted. When the share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital and share premium.

q) **Revenue recognition**

i) Revenue from sale of goods or services are recognised in the income statements upon delivery of goods or performance of services rendered.

ii) Revenue on instalment sales is recognised when goods are delivered. Service charges on instalment sales are recognised over the instalment period based on the sum-of-digits method. Unearned service charge as at the balance sheet date is deferred to future periods, and is deducted from the trade receivables balance.

iii) Dividend income from investment in subsidiary companies is recognised when the Company's right to receive payment is established.

iv) Interest and rental income are recognised in the income statements on accrual basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### r) Financial instruments

**Recognised and unrecognised**

The accounting policies for financial instruments recognised on the balance sheet which include cash and bank balances, trade and other receivables and payables, borrowings and investments are disclosed in their respective accounting policies.

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement. These instruments are offset when the Group and the Company have legally enforceable rights to offset and intent to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Unrecognised financial instruments of the Group consist of forward exchange contracts which are used to hedge the exposure to currency risk. These derivative financial instruments are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any gain or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions. The Group does not have any unrecognised financial instruments other than those that may arise as disclosed in note 31 (a) to the financial statements.

**Fair values**

The carrying amounts of financial instruments with a maturity of less than one year are assumed to approximate their fair values. For long term borrowings, fair values have been determined by discounting the relevant cash flows using current interest rates as at the balance sheet date.

The fair value of forward foreign exchange contracts is determined using forward exchange market rate at the balance sheet date.

### s) Impairment of assets

At each balance sheet date, the Group and the Company review the carrying amounts of their assets, other than inventories and receivables, to determine whether there is any indication of impairment. If such indication of impairment exists, the recoverable amount of the assets is determined and the carrying amount of the assets is written down immediately to its recoverable amount. Impairment loss is charged to income statements. Any reversal of an impairment loss will be immediately recognised as income.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

For impairment on a revalued asset, the impairment loss is charged against the revaluation reserve to the extent of the surplus credited from the previous revaluation of the same asset.



The recoverable amount of each asset or cash-generating unit is estimated based on the greater of its net selling price and its value in use, which is measured by reference to discounted future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### t) Segment information

Segment information is presented in respect of the Group's business. An analysis by geographical segment has not been presented as the Group operates wholly in Malaysia.

Segment results, assets and liabilities include items directly attributable to the segments, as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise finance cost and corporate expenses.

Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

Segment revenues, expenses and results include transfers between segments. Inter-segment sales are charged at cost plus a percentage profit mark-up. These transfers are eliminated on consolidation.

The main business segments and respective business activity of each segment of the Group are:-

| Business segment | Business activity |
|---|---|
| Furniture manufacturing | Manufacturing of furniture products |
| Furniture trading, marketing and distribution | Purchasing, storage, distribution and marketing of furniture products |
| Investment holding | Investment holding |

### u) Cash flow statements

The cash flow statements are prepared by using the indirect method.

Cash and cash equivalents for the purpose of the cash flow statements include cash in hand, demand deposits and short term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value, against which the bank overdraft balances, if any, are deducted.

## 4. PROPERTY, PLANT AND EQUIPMENT

Group

| | Net book value as at 01.01.2005 | Acquisition of subsidiary company | Revaluation surplus/ Reclassification* | Additions | Write-offs | Disposals | Depreciation | Net book value as at 31.12.2005 |
|---|---|---|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM | RM | RM | RM |
| Freehold factory building | 2,739,000 | - | - | 34,740 | - | - | (61,639) | 2,712,101 |
| Freehold land | 2,431,829 | - | - | - | - | - | - | 2,431,829 |
| Furniture, fittings and office equipment | 1,300,337 | 80,675 | - | 134,671 | - | (1,445) | (373,200) | 1,141,038 |
| Freehold kiln drying building | 671,000 | - | - | - | - | - | (17,643) | 653,357 |
| Labour line | 11,603 | 12,150 | - | - | - | - | (7,150) | 16,603 |
| Long leasehold factory buildings | 19,699,678 | 2,740,440 | (19,699,678) | - | - | - | (26,350) | 2,714,090 |
| Long leasehold land | 10,379,977 | 1,292,987 | - | 3,224 | - | - | (212,600) | 11,463,588 |
| Motor vehicles | 990,372 | 36,668 | - | 131,785 | - | (44,709) | (356,260) | 757,856 |
| Plant, machinery and equipment | 12,506,757 | 1,362,657 | - | 1,194,916 | (6,004) | (238,604) | (2,711,590) | 12,108,132 |
| Renovation | 183,403 | 1,130 | - | 53,840 | - | - | (56,748) | 181,625 |
| Short leasehold factory buildings | - | - | 19,699,678 | 108,868 | - | - | (466,391) | 19,342,155 |
| Store | 99,422 | - | - | - | - | - | (28,230) | 71,192 |
| | 51,013,378 | 5,526,707 | - | 1,662,044 | (6,004) | (284,758) | (4,317,801) | 53,593,566 |

## 4. PROPERTY, PLANT AND EQUIPMENT – continued

### Group

| At 31.12.2005 | Cost/ valuation | Accumulated depreciation | Net book value |
|---|---|---|---|
| | RM | RM | RM |
| **Stated at cost** | | | |
| Freehold land | 441,829 | - | 441,829 |
| Furniture, fittings and office equipment | 3,638,848 | (2,497,810) | 1,141,038 |
| Labour line | 79,447 | (62,844) | 16,603 |
| Long leasehold factory building | 2,844,680 | (130,590) | 2,714,090 |
| Long leasehold land | 2,535,918 | (85,108) | 2,450,810 |
| Motor vehicles | 3,468,765 | (2,710,909) | 757,856 |
| Plant, machinery and equipment | 30,580,687 | (18,472,555) | 12,108,132 |
| Renovation | 380,961 | (199,336) | 181,625 |
| Short leasehold factory buildings | 2,079,745 | (41,595) | 2,038,150 |
| Store | 155,100 | (83,908) | 71,192 |
| | 46,205,980 | (24,284,655) | 21,921,325 |
| **Stated at valuation** | | | |
| Freehold factory building | 3,103,708 | (391,607) | 2,712,101 |
| Freehold land | 1,990,000 | - | 1,990,000 |
| Freehold kiln drying building | 875,648 | (222,291) | 653,357 |
| Long leasehold land | 10,075,694 | (1,062,916) | 9,012,778 |
| Short leasehold factory buildings | 20,515,852 | (3,211,847) | 17,304,005 |
| | 36,560,902 | (4,888,661) | 31,672,241 |
| | 82,766,882 | (29,173,316) | 53,593,566 |

4. **PROPERTY, PLANT AND EQUIPMENT** – continued

**Group**

| **At 31.12.2004** | **Cost/ valuation** | **Accumulated depreciation** | **Net book value** |
|---|---|---|---|
| | **RM** | **RM** | **RM** |
| **Stated at cost** | | | |
| Freehold land | 441,829 | - | 441,829 |
| Furniture, fittings and office equipment | 3,405,850 | (2,105,513) | 1,300,337 |
| Labour line | 63,547 | (51,944) | 11,603 |
| Long leasehold factory building | 2,029,678 | - | 2,029,678 |
| Long leasehold land | 1,189,977 | - | 1,189,977 |
| Motor vehicles | 3,345,895 | (2,355,523) | 990,372 |
| Plant, machinery and equipment | 29,289,745 | (16,782,988) | 12,506,757 |
| Renovation | 325,708 | (142,305) | 183,403 |
| Store | 155,100 | (55,678) | 99,422 |
| | 40,247,329 | (21,493,951) | 18,753,378 |
| **Stated at valuation** | | | |
| Freehold factory building | 3,068,968 | (329,968) | 2,739,000 |
| Freehold land | 1,990,000 | - | 1,990,000 |
| Freehold kiln drying building | 875,648 | (204,648) | 671,000 |
| Long leasehold factory buildings | 20,457,051 | (2,787,051) | 17,670,000 |
| Long leasehold land | 10,075,694 | (885,694) | 9,190,000 |
| | 36,467,361 | (4,207,361) | 32,260,000 |
| | 76,714,690 | (25,701,312) | 51,013,378 |

| | **As at 31.12.2005 RM** | **As at 31.12.2004 RM** |
|---|---|---|
| **Net book value** | | |
| a) Property, plant and equipment acquired by hire purchase plan: | | |
| Motor vehicles | 253,860 | 404,192 |
| Plant, machinery and equipment | 1,613,293 | 868,418 |
| | 1,867,153 | 1,272,610 |

4. **PROPERTY, PLANT AND EQUIPMENT** – continued

**Group**

| | As at 31.12.2005 RM | As at 31.12.2004 RM |
|---|---|---|
| **Net book value** | | |
| b) Property, plant and equipment pledged as securities for bank borrowings: | | |
| Freehold factory building | 2,712,101 | 2,739,000 |
| Freehold kiln drying building | 653,357 | 671,000 |
| Freehold land | 1,990,000 | 1,990,000 |
| Long leasehold factory buildings | 2,714,090 | 14,985,000 |
| Long leasehold land | 10,184,176 | 7,885,000 |
| Short leasehold factory buildings | 16,715,028 | - |
| | 34,968,752 | 28,270,000 |
| c) Motor vehicle held in trust by a director | 6,000 | - |
| d) The carrying amounts of the revalued land and buildings that would have been included in the financial statements stated at cost less accumulated depreciation: | | |
| Freehold factory building | 2,891,283 | 2,922,253 |
| Freehold land | 1,693,574 | 1,693,574 |
| Freehold kiln drying building | 652,791 | 670,073 |
| Long leasehold factory buildings | - | 12,700,966 |
| Long leasehold land | 3,031,071 | 3,957,347 |
| Short leasehold factory buildings | 11,696,758 | - |
| | 19,965,477 | 21,944,213 |

Fully depreciated property, plant and equipment at a total cost of RM8,252,810 (2004 - RM4,030,058) are still in use.

The land and buildings of the Group stated at valuation were revalued on 30 December 2004 and 30 December 2005 by an independent professional valuer, Colliers Jordan Lee & Jaafar (M'CCA) Sdn. Bhd., on an open market value basis.



## 4. PROPERTY, PLANT AND EQUIPMENT – continued

**Company**

| | Net book value as at 01.01.2005 RM | Depreciation RM | Net book value as at 31.12.2005 RM |
|---|---|---|---|
| Motor vehicle | 48,954 | (48,954) | - |

| At 31.12.2005 | Cost RM | Accumulated depreciation RM | Net book value RM |
|---|---|---|---|
| Motor vehicle | 451,867 | (451,867) | - |

| At 31.12.2004 | Cost RM | Accumulated depreciation RM | Net book value RM |
|---|---|---|---|
| Motor vehicle | 451,867 | (402,913) | 48,954 |

Fully depreciated motor vehicle at a total cost of RM451,867 (2004 - Nil) are still in use.

## 5. INVESTMENT IN SUBSIDIARY COMPANIES

| | | Company 2005 RM | Company 2004 RM |
|---|---|---|---|
| a) | Unquoted shares in Malaysia | | |
| | - at cost | 28,109,871 | 26,101,121 |
| | - at valuation | 1,576,399 | 1,576,399 |
| | | 29,686,270 | 27,677,520 |
| | Less: | | |
| | Accumulated impairment loss | (1,237,418) | - |
| | | 28,448,852 | 27,677,520 |

Investment in a subsidiary company had been revalued by the Directors based on the net tangible assets value of the subsidiary company as at 30 December 2004.

## 5. INVESTMENT IN SUBSIDIARY COMPANIES – continued

The subsidiary companies, all wholly-owned, incorporated in Malaysia and audited by John Lim & Associates, are as follows:-

| Name | Principal activities |
| --- | --- |
| Lii Hen Furniture Sdn. Bhd.* | Investment holding and manufacturing of wooden furniture |
| Kejora Juara Sdn. Bhd. | Manufacturing of furniture parts and lamination board |
| Affirm Marketing Sdn. Bhd. | Marketing of furniture |
| A To Z Home Centre Sdn. Bhd. | Retailer of household furniture and furnishings and electronic and electrical appliances |
| Favourite Design Sdn. Bhd. | Manufacturing of furniture |
| **Subsidiary companies of Lii Hen Furniture Sdn. Bhd.** | |
| CT Haup Heng Sdn. Bhd.* | Manufacturing of wooden furniture |
| EF Furniture Sdn. Bhd.* | Manufacturing of office and residential furniture |
| Mayteck Kilang Kayu Dan Perabut Sdn. Bhd. | Manufacturing of furniture components and processing and kiln drying of rubber wood and timber |

* Consolidated under merger method of accounting

b) On 04 July 2005, the Company has completed the acquisition of 100% equity interest in Favourite Design Sdn. Bhd. by a cash consideration of RM2,008,750.

During last financial year, the Company subscribed 100% equity interest in A To Z Home Centre Sdn. Bhd. by a cash consideration of RM500,000.

The details of the acquisition and incorporation of subsidiary companies are as disclosed in note 26 to the financial statements.

## 6. GOODWILL ON CONSOLIDATION

| | Group | |
|---|---|---|
| | **2005** | **2004** |
| | **RM** | **RM** |
| Goodwill on consolidation | 802,058 | 603,553 |
| Less: | | |
| Aggregate amount amortised | 623,404 | 543,195 |
| At 31 December | 178,654 | 60,358 |

Goodwill on consolidation is amortised over a period of ten years.

## 7. AMOUNTS DUE BY SUBSIDIARY COMPANIES

**Company**

The amounts due by subsidiary companies which arose from non-trade advances, are interest free and have no fixed terms of repayment.

## 8. INVENTORIES

| | Group | |
|---|---|---|
| | **2005** | **2004** |
| | **RM** | **RM** |
| Inventories stated:- | | |
| **At cost** | | |
| Finished goods | 6,369,025 | 7,557,594 |
| Work-in-progress | 7,936,168 | 10,287,817 |
| Raw materials | 12,659,570 | 12,746,999 |
| Consumables | 252,635 | 254,444 |
| | 27,217,398 | 30,846,854 |
| **At net realisable value** | | |
| Finished goods | 124,146 | - |
| | 27,341,544 | 30,846,854 |

## 9. TRADE RECEIVABLES

| | Group 2005 RM | Group 2004 RM |
|---|---|---|
| Trade receivables | 17,136,565 | 19,759,539 |
| Less: | | |
| Allowance for doubtful debts | - | 98,018 |
| | 17,136,565 | 19,661,521 |
| Instalment receivables including unearned service charges | 1,492,506 | 584,308 |
| Less: | | |
| Unearned service charges | 336,772 | 172,658 |
| | 1,155,734 | 411,650 |
| Less: | | |
| Fall due after one year | 517,215 | 245,437 |
| | 638,519 | 166,213 |
| Total trade receivables | 17,775,084 | 19,827,734 |

| | Group 2005 RM | Group 2004 RM |
|---|---|---|
| Movements of allowance for doubtful debts:- | | |
| At 01 January | 98,018 | 618,287 |
| Allowance for doubtful debts no longer required | (98,018) | (618,287) |
| Additional allowance for doubtful debts | - | 98,018 |
| At 31 December | - | 98,018 |

The normal credit terms of trade receivables ranging from 1 to 5 months. Other credit terms are assessed and approved on a case-by-case basis.

The credit terms of instalment receivables ranging from 6 to 30 months.

The foreign currency exposures of trade receivables are as follows:-

| | Group 2005 RM | Group 2004 RM |
|---|---|---|
| Singapore Dollar | 24,186 | 298,360 |
| United States Dollar | 7,169,400 | 5,921,086 |



## 10. OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Sundry receivables | 3,666,481 | 870,467 | - | - |
| Deposits, prepayments and receivables | 856,869 | 640,392 | 11,294 | 5,505 |
| | 4,523,350 | 1,510,859 | 11,294 | 5,505 |

**Group**

Included in sundry receivables are amounts of RM2,610,250 (2004 - Nil), which represent advances for the purchase of a piece of agriculture land. Subsequent to the balance sheet date, these amounts have been refunded due to abortion of the transaction.

The foreign currency exposure of other receivables of the Group for the year 2004 was in Singapore Dollar of RM280.

## 11. TAXATION

a) Movements in the taxation statements are:

| | Group | | Company | |
|---|---|---|---|---|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| At 01 January | (2,326,870) | (3,323,642) | (20,141) | (13,419) |
| Acquisition of subsidiary company | (134,328) | - | - | - |
| Taxation charge for the year | 847,687 | 820,753 | 805,347 | 343,278 |
| Prior year underprovision | - | 159 | - | - |
| Tax refund | 1,657,747 | 925,573 | - | - |
| Tax paid | (1,096,688) | (749,713) | - | - |
| Tax deducted at source | - | - | (812,000) | (350,000) |
| At 31 December | (1,052,452) | (2,326,870) | (26,794) | (20,141) |

Taxation comprises the following:

| | | | | |
|---|---|---|---|---|
| Tax recoverable | (1,072,300) | (2,592,797) | (26,794) | (20,141) |
| Tax payable | 19,848 | 265,927 | - | - |
| | (1,052,452) | (2,326,870) | (26,794) | (20,141) |

## 11. TAXATION – continued

b) The taxation expenses comprise:

| | Group 2005 RM | Group 2004 RM | Company 2005 RM | Company 2004 RM |
|---|---|---|---|---|
| Taxation charge for the year | 847,687 | 820,753 | 805,347 | 343,278 |
| Prior year underprovision | - | 159 | - | - |
| Transfer from deferred taxation (note 16) | (440,760) | (112,245) | - | |
| Taxation expenses for the year | 406,927 | 708,667 | 805,347 | 343,278 |

c) A reconciliation of the statutory tax rates to the Group's and the Company's effective tax rates applicable to pre-tax profit is as follows:-

| | Group 2005 RM | Group 2004 RM | Company 2005 RM | Company 2004 RM |
|---|---|---|---|---|
| **Profit before taxation** | 1,113,268 | 3,602,384 | 2,154,302 | 966,877 |
| Taxation at statutory tax rate of 28% | 311,715 | 1,008,668 | 603,205 | 270,726 |
| Tax saving at the statutory tax rate of 20% | (80,000) | (40,000) | - | - |
| Tax effects of: | | | | |
| - opening deferred tax resulting from a change in income tax rate | 44,089 | (233,295) | - | - |
| - expenses deductible at different tax rate | 89,647 | - | - | - |
| - non-taxable items | (37,558) | (20,401) | - | - |
| - double deduction items | (13,616) | (32,299) | - | - |
| - non-deductible items | 294,024 | 142,490 | 188,435 | 47,248 |
| - depreciation on non-qualifying property, plant and equipment | 92,615 | 121,272 | 13,707 | 25,304 |
| - income taxable at different tax rate | - | (107,987) | - | - |
| Reinvestment allowances incentive | (77,913) | (145,953) | - | - |
| Export allowance incentive | (79,213) | - | - | - |
| Pioneer Status tax exempt income | (247,044) | - | - | - |
| Utilisation of previously unrecognised tax losses and capital allowances | - | (8,102) | - | - |
| Deferred tax assets not recognised during the year | 110,181 | 24,115 | - | - |
| Prior year underprovision | - | 159 | - | - |
| | 406,927 | 708,667 | 805,347 | 343,278 |

## 11. TAXATION – continued

**Group**

d) The tax saving arising from the utilisation of previously unrecognised tax losses and capital allowances amounting to approximately RM82,500 (2004 - RM54,000) for the Group.

e) The Group has unutilised reinvestment allowances of approximately RM755,000 (2004 - RM1,048,000) available at year end against which no future income tax benefits has been taken up.

f) A subsidiary company has been granted Pioneer Status under the Promotion of Investments Act, 1986 for ``wooden furniture and wooden furniture parts``. The commencement date of commercial production was 15 September 2004 and the Pioneer Status expires on 14 September 2009.

## 12. TRADE PAYABLES

**Group**

The credit terms of trade payables ranging from 30 to 120 days.

The foreign currency exposure of trade payables is in United States Dollar of RM182,237 (2004 - RM5,456).

## 13. OTHER PAYABLES

a) Movements in the taxation statements are:

| | Group | | Company | |
|---|---|---|---|---|
| | 2005<br>RM | 2004<br>RM | 2005<br>RM | 2004<br>RM |
| Sundry payables | 1,554,089 | 3,076,952 | - | - |
| Payroll liabilities | 1,003,315 | 862,694 | - | - |
| Deposits received and accruals | 660,338 | 751,742 | 12,850 | 13,096 |
| | 3,217,742 | 4,691,388 | 12,850 | 13,096 |



**Group**

Included in sundry payables for the year 2004 was an amount of RM2,635,000 due to the vendor of long leasehold land and factory building.

The foreign currency exposures of other payables are:-

| | Group | |
|---|---|---|
| | 2005<br>RM | 2004<br>RM |
| Singapore Dollar | 180 | - |
| United States Dollar | 3,185 | 9,987 |

## 14. BORROWINGS

| | Group 2005 RM | Group 2004 RM |
|---|---|---|
| Bank overdrafts | 1,701,516 | 3,658,748 |
| Bankers acceptances | 5,871,824 | 12,421,860 |
| Hire purchase payables (note 15) | 544,893 | 343,690 |
| Term loans - current portion | 261,087 | - |
| | 8,379,320 | 16,424,298 |
| Term loans -non-current portion | 3,955,596 | - |

The non-current portion of the term loans is repayable over the following periods:-

| | Group 2005 RM | Group 2004 RM |
|---|---|---|
| Between one to two years | 233,861 | - |
| Between two to five years | 762,681 | - |
| After five years | 2,959,054 | - |
| | 3,955,596 | - |

**Group**

a) The bank borrowings are secured by:

i) Facility and Term Loan Agreements;
ii) legal charges created over properties of five subsidiary companies;
iii) debenture incorporating fixed and floating charges over all the present and future assets of four subsidiary companies;
iv) corporate guarantee by Lii Hen Furniture Sdn. Bhd. for RM5.086 million (2004 - RM5.086 million) against banking facilities granted to a subsidiary company;
v) corporate guarantee by the Company for RM43 million (2004 - RM29.1 million) against banking facilities granted to six subsidiary companies; and
vi) fixed deposits in the name of three subsidiary companies and a director.

b) The bank overdrafts bear interest at an average rate of 7.63% (2004 - 7.5%) per annum.

The bankers acceptances bear interest at average rates ranging from 3.10% to 3.55% (2004 - 2.98% to 4.20%) per annum.

The term loans bear interest at average rates of 3.88% and 7.38% (2004 - Nil) per annum.

c) The term loans are repayable as follows:-

| | No. of instalments | Monthly repayment |
|---|---|---|
| Term loan I | 180 | RM23,391 commenced April 2005 |
| Term loan II | 144 | RM18,756 commenced May 2004 |

## 15. HIRE PURCHASE PAYABLES

| | Group 2005 RM | 2004 RM |
|---|---|---|
| **Due within one year** | 616,578 | 389,935 |
| Less: | | |
| Undue interest | 71,685 | 46,245 |
| | 544,893 | 343,690 |
| **Due after one year** | 695,496 | 528,579 |
| Less: | | |
| Undue interest | 44,717 | 51,358 |
| | 650,779 | 477,221 |

**Group**

Hire purchase payables with principal amount of RM252,959 (2004 - RM490,461) are secured against corporate guarantee by the Company.

The hire purchase payables bear interest at average effective rates ranging from 6.00% to 9.76% (2004 - 6.00% to 7.15%) per annum.

## 16. DEFERRED TAXATION

a) The deferred tax liabilities are made up of the following:-

| | Group 2005 RM | 2004 RM |
|---|---|---|
| At 01 January | 2,208,467 | 1,790,004 |
| Acquisition of subsidiary company | 134,033 | - |
| Deferred tax liability arising from revaluation of property, plant and equipment recognised in equity | - | 530,708 |
| Transfer to income statement (note 11) | | |
| - current year provision | (484,848) | 121,050 |
| - effect on opening deferred tax resulting from a change in income tax rate | 44,089 | (233,295) |
| | (440,759) | (112,245) |
| At 31 December | 1,901,741 | 2,208,467 |

16. **DEFERRED TAXATION** – continued

b) The movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:-

| | Group | |
|---|---|---|
| | **2005** | **2004** |
| | **RM** | **RM** |
| Deferred tax assets:- | | |
| At 01 January | 284,379 | 524,057 |
| Recognised in the income statement | 361,733 | (239,678) |
| At 31 December | 646,112 | 284,379 |

| | Group | |
|---|---|---|
| | **2005** | **2004** |
| | **RM** | **RM** |
| Deferred tax liabilities:- | | |
| At 01 January | 2,492,846 | 2,314,061 |
| Recognised in equity | | |
| - revaluation reserve | - | 530,708 |
| Recognised in the income statement | | |
| - excess of property, plant and equipment's net book value over their tax written down value | 102,831 | (351,923) |
| - revaluation reserve | (47,824) | - |
| At 31 December | 2,547,853 | 2,492,846 |

c) The components of deferred tax assets and liabilities as at the end of the financial year comprise tax effect of:-

| | Group | |
|---|---|---|
| | **2005** | **2004** |
| | **RM** | **RM** |
| Deferred tax assets:- | | |
| Unused tax losses | 230,907 | 82,516 |
| Unutilised capital allowances | 415,205 | 201,863 |
| At 31 December | 646,112 | 284,379 |
| Deferred tax liabilities:- | | |
| Excess of property, plant and equipment's net book value over their tax written down value | 2,183,721 | 1,962,138 |
| Revaluation reserve | 364,132 | 530,708 |
| At 31 December | 2,547,853 | 2,492,846 |

## 16. DEFERRED TAXATION – continued

d) The amounts of deductible temporary differences, unused tax losses and unutilised capital allowances (both of which have no expiry date) for which no deferred tax asset is recognised in the financial statements are as follows:-

| | Group | |
|---|---|---|
| | 2005<br>RM | 2004<br>RM |
| Tax effect of unused tax losses | 119,806 | 19,301 |
| Tax effect of unutilised capital allowances | 89,486 | 79,810 |

## 17. SHARE CAPITAL

a) The deferred tax liabilities are made up of the following:-

| | Company | |
|---|---|---|
| | 2005<br>RM | 2004<br>RM |
| Ordinary shares of RM1 each | | |
| Authorised: | 100,000,000 | 100,000,000 |
| Issued and fully paid | 60,000,000 | 60,000,000 |

During the financial year, the Company has yet to grant options under the Employees' Share Option Scheme ("ESOS") governed by the ESOS By-Laws that was approved by the shareholders of the Company at the Extraordinary General Meeting held on 7 February 2002. Pursuant to the scheme, options to subscribe for ordinary shares of RM1 each are granted to eligible employees of the Group, including executive directors of any company in the Group.

The salient features of the ESOS are as follows:-

(a) Employees including executive directors of any company in the Group who have been confirmed in their employment for one continuous year of service and who fall within any one of the categories set out in the By-Laws of the ESOS, are eligible to participate in the scheme;

(b) The maximum number of ordinary shares of the Company which may be subscribed on the exercise of the total number of shares under the ESOS shall not be more than ten per centum (10%) of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS;

(c) The option price for each new share under ESOS shall be subject to a discount of not more than ten per centum (10%) to the weighted average market price of the shares based on the Daily Official List issued by the Bursa Malaysia Securities Berhad for the five (5) Market Days preceding the date on which an Offer is made and subject to the provision that the Option Price per share shall not in any event be less than the par value of the ordinary shares of the Company;

17. **SHARE CAPITAL** – continued

(e) An option granted to a selected employee shall be capable of being exercised by notice in writing to the ESOS Committee commencing on the date of the Offer to the expiry of the five (5) years period commencing from the Commencement Date, 29 May 2002 and subject to the approval from relevant authorities is renewable for an additional five years;

(f) In the event of any alteration in the capital structure of the Company except for certain exemptions, adjustments will be made to the subscription price and/or the number of shares in respect of options granted but not exercised, such that the option holder will be entitled to the same proportion of the issued and paid-up share capital of RM1 each in the Company as before the said alteration; and

(g) The shares shall on issue and allotment rank pari passu in all material respects with the then existing issued shares of the Company.

(h) The number of share options to be offered to an Eligible Employee under the ESOS shall be determined at the absolute discretion of the ESOS Committee but shall in no event exceed the maximum allowable allotment.

| Category of Eligible Employee | Maximum Allowable Allotment |
|---|---|
| Executive Directors | 400,000 |
| Senior Managers | 100,000 |
| Managers / Senior Supervisors | 35,000 |
| Assistant Managers / Supervisors / Assistant Supervisors / Executives | 25,000 |
| Officers | 10,000 |
| Clerks | 5,000 |
| Operators | 2,000 |

18. **RESERVES**

| | Group | | Company | |
|---|---|---|---|---|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Non-distributable reserves: | | | | |
| Share premium | 1,432,852 | 1,432,852 | 1,432,852 | 1,432,852 |
| Revaluation reserve | 2,442,039 | 2,482,837 | 281,584 | 1,019,002 |
| Distributable reserve: | | | | |
| Retained profit | 20,723,367 | 20,840,229 | 797,208 | 312,253 |
| | 24,598,258 | 24,755,918 | 2,511,644 | 2,764,107 |

## 18. RESERVES – continued

### a) Share premium

Share premium arose from the following:

| | Group and Company 2005 RM | 2004 RM |
|---|---|---|
| Public issue of 6,020,000 new ordinary shares of RM1 each at RM1.60 per share | 3,612,000 | 3,612,000 |
| Less: | | |
| Listing expenses | (2,053,373) | (2,053,373) |
| Corporate exercise expenses | (125,775) | (125,775) |
| | 1,432,852 | 1,432,852 |

### b) Revaluation reserve

| | Group | | Company | |
|---|---|---|---|---|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Revaluation reserve on property, plant and equipment | | | | |
| - gross | 3,013,545 | 3,013,545 | - | - |
| - tax | (530,708) | (530,708) | - | - |
| | 2,482,837 | 2,482,837 | - | - |
| Less: | | | | |
| Amortisation | (40,798) | - | - | - |
| | 2,442,039 | 2,482,837 | | |
| Revaluation reserve on investment in subsidiary company | - | - | 1,019,002 | 1,019,002 |
| Less: | | | | |
| Impairment loss | - | - | (737,418) | - |
| | 2,442,039 | 2,482,837 | 281,584 | 1,019,002 |

## 18. RESERVES – continued

**Group**

The subsidiary companies have sufficient tax credits under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of their retained profits of approximately RM24,545,000 (2004 - RM22,940,200).

In additions, the subsidiary companies have the following tax exempt accounts:-

(i) under Schedule 7A of the Income Tax Act, 1967 relating to reinvestment allowances of approximately RM8,637,300 (2004 - RM8,188,300);

(ii) under Section 12 of the Income Tax (Amendment) Act, 1999 of approximately RM1,876,400 (2004 - RM1,875,000); and

(iii) under Section 7(3) of the Promotion of Investments Act, 1986 of approximately RM1,714,000 (2004 - RM215,000).

**Company**

The Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of its entire retained profit (2004 - RM312,253).

## 19. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Sale of goods | 102,925,181 | 91,803,071 | - | - |
| Service charges billed on instalment sales | 611,612 | 211,716 | - | - |
| Movement in unearned service charges | (336,772) | (172,658) | - | - |
| Service charges earned | 274,840 | 39,058 | - | - |
| Dividend income | - | - | 2,900,000 | 1,250,000 |
| | 103,200,021 | 91,842,129 | 2,900,000 | 1,250,000 |

Revenue of the Group represents the invoiced value of furniture and lamination board manufactured, wood processing and wood works, and electronic and electrical appliances less discounts, returns and sales tax and service charges earned on instalment sales.

Revenue of the Company represents dividend income from subsidiary companies.



## 20. OTHER OPERATING INCOME

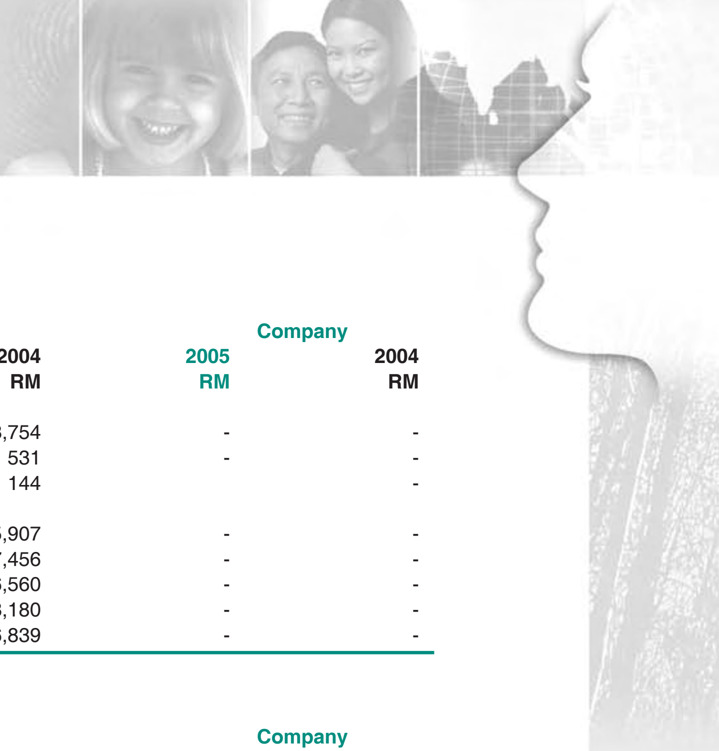
Other operating income comprises the followings:

| | Group 2005 RM | Group 2004 RM |
|---|---|---|
| Allowance for doubtful debts no longer required | 98,018 | 618,287 |
| Bad debts recovered | 5,840 | 2,200 |
| Deposit received forfeited | 858 | 156 |
| Factory levy earned | 50,400 | 50,400 |
| Foreign exchange gain | | |
| - realised | 269,649 | 517,370 |
| - unrealised | 41,016 | 83,147 |
| Gain on disposal of property, plant and equipment | 78,922 | 108,652 |
| Hiring of machinery earned | 80,054 | 43,785 |
| Interest income | 55,157 | 21,201 |
| Rental income | 60,359 | 2,237 |
| Sub-contract charges earned | 104,924 | 35,048 |
| Sundry revenue | 88,946 | 79,171 |
| Transport charges earned | 2,709 | 336 |
| | 936,852 | 1,561,990 |

## 21. PROFIT FROM OPERATIONS

a) This is arrived at after inclusion of the following charges:-

| | Group 2005 RM | Group 2004 RM | Company 2005 RM | Company 2004 RM |
|---|---|---|---|---|
| Allowance for doubtful debts | - | 98,018 | - | - |
| Amortisation of goodwill on consolidation | 80,209 | 60,355 | | - |
| Auditors' remuneration: | | | | |
| - due diligence audit | 3,500 | - | 3,500 | - |
| - statutory audit | 72,200 | 64,200 | 6,000 | 6,000 |
| Bad debts written off | 391,162 | 759,078 | - | - |
| Deposit forfeited | 3,000 | 16,220 | - | - |
| Depreciation | 4,317,801 | 4,253,942 | 48,954 | 90,373 |
| Expenditure on increase of authorised capital | - | 4,200 | - | - |
| Goodwill written off | | - | | - |
| Hiring of machineries | 4,440 | - | - | - |
| Hiring of vehicles | 4,258 | 15,798 | - | - |
| Impairment loss on investment in subsidiary company | - | - | 500,000 | - |
| Loss on disposal of property, plant and equipment | 10,916 | 3,384 | - | - |
| Preliminary expenses written off | - | 2,600 | - | - |



21. **PROFIT FROM OPERATIONS** – continued

| | Group 2005 RM | Group 2004 RM | Company 2005 RM | Company 2004 RM |
|---|---|---|---|---|
| Pre-operating expenses written off | - | 63,754 | - | - |
| Property, plant and equipment written off | 6,004 | 531 | - | - |
| Realised foreign exchange loss | - | 144 | | - |
| Rental of | | | | |
| - factory | 220,988 | 185,907 | - | - |
| - hostel | 114,188 | 107,456 | - | - |
| - office | 174,700 | 136,560 | - | - |
| - office equipment | 3,931 | 3,180 | - | - |
| - warehouse | - | 6,839 | - | - |

| | Group 2005 RM | Group 2004 RM | Company 2005 RM | Company 2004 RM |
|---|---|---|---|---|
| b) Directors' information | | | | |
| i) Directors' remuneration | | | | |
| **Directors of the Company** | | | | |
| Executive: | | | | |
| Salaries and other emoluments | 738,000 | 717,000 | 24,000 | 24,000 |
| Fees | 5,000 | 5,000 | - | - |
| Bonuses | 57,750 | 52,500 | - | - |
| Defined contribution retirement plan | 92,844 | 89,676 | - | - |
| Benefit-in-kind | 48,325 | 41,260 | - | - |
| | 941,919 | 905,436 | 24,000 | 24,000 |
| Non-executive: | | | | |
| Salaries and other emoluments | 48,000 | 48,000 | 48,000 | 48,000 |
| Directors of the subsidiary companies | | | | |
| Executive: | | | | |
| Salaries and other emoluments | 361,500 | 323,600 | - | - |
| Bonuses | 20,000 | 22,917 | - | - |
| Defined contribution retirement plan | 45,984 | 43,044 | - | - |
| Benefit-in-kind | 13,293 | 316 | - | - |
| | 440,777 | 389,877 | - | - |
| | 1,430,696 | 1,343,313 | 72,000 | 72,000 |

## 21. PROFIT FROM OPERATIONS – continued

ii) The number of directors of the Company and its subsidiary companies whose total remuneration during the financial year fall within the following bands are as follows:

| | Number of directors | |
|---|---|---|
| | **2005** | **2004** |
| Executive directors of the Company | | |
| - Below RM50,000 | 1 | 1 |
| - RM50,001 - RM100,000 | - | - |
| - RM100,001 - RM150,000 | - | - |
| - RM150,001 - RM200,000 | - | 3 |
| - RM200,001 - RM250,000 | 3 | 1 |
| - RM250,001 - RM300,000 | 1 | - |

| | Number of directors | |
|---|---|---|
| | **2005** | **2004** |
| Non-executive directors of the Company | | |
| - Below RM50,000 | 2 | 2 |
| Executive directors of the subsidiary companies | | |
| - RM50,001 - RM100,000 | 1 | 2 |
| - RM100,001 - RM150,000 | 1 | - |
| - RM150,001 - RM200,000 | - | 1 |
| - RM200,001 - RM250,000 | 1 | - |

## 22. FINANCE COST

| | Group | |
|---|---|---|
| | **2005** | **2004** |
| | **RM** | **RM** |
| Interest on | | |
| - bankers acceptances | 176,777 | 367,064 |
| - bank overdrafts | 329,044 | 289,168 |
| - hire purchase | 54,621 | 61,416 |
| - loan | - | 4,400 |
| - overdue | 22 | 463 |
| - term loans | 151,292 | - |
| | 711,756 | 722,511 |

## 23. EARNINGS PER SHARE

**Basic**

The basic earnings per share for the year is calculated based on the Group's net profit for the year of RM706,341 (2004 - RM2,893,717) and on the number of ordinary shares of 60.0 million in issue.

**Diluted**

No diluted earnings per share has been presented for year 2005 and 2004 as there was no dilutive potential ordinary shares as at 31 December 2005 and 2004.

## 24. DIVIDENDS

| | Group and Company | |
|---|---|---|
| | **2005** | **2004** |
| | **RM** | **RM** |
| **Paid/Payable** | | |
| A first and final dividend of 2% less 28% tax in respect of year ended 31 December 2004 (2004 - 31 December 2003) | 864,000 | 864,000 |

At the forthcoming Annual General Meeting, a first and final dividend of 1.5% less 28% tax (2004 - 2% less 28% tax) amounting to RM648,000 (2004 - RM864,000) in respect of year ended 31 December 2005 will be proposed for shareholders' approval. The financial statements for the current year do not reflect this proposed final dividend. If approved by shareholders, such dividend will be accounted for in shareholders' equity as an appropriation of retained profit in the next financial year ending 31 December 2006.

## 25. CASH FLOW STATEMENTS

a) Purchase of property, plant and equipment

During the financial year, the Group made the following cash payments to purchase property, plant and equipment:-

| | Group | |
|---|---|---|
| | **2005** | **2004** |
| | **RM** | **RM** |
| Purchase of property, plant and equipment (note 4) | 1,662,044 | 5,091,557 |
| Financed by hire purchase loan | (660,000) | (318,500) |
| Cash payments on purchase of property, plant and equipment | 1,002,044 | 4,773,057 |

## 25. CASH FLOW STATEMENTS – continued

b) Cash and cash equivalents included in the cash flow statements comprise the following:

| | Group | | Company | |
|---|---|---|---|---|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Cash in hand | | | | |
| - Malaysian Ringgit | 39,646 | 30,054 | - | - |
| - United States Dollar | 166,421 | 61,909 | - | - |
| Cash at banks | | | | |
| - Malaysian Ringgit | 3,947,856 | 6,361,664 | 91,600 | 27,196 |
| - United States Dollar | 1,493,665 | 4,041 | - | - |
| - Singapore Dollar | 95,047 | 105,515 | - | - |
| Bank overdrafts | | | | |
| - Malaysian Ringgit | (1,701,516) | (3,658,748) | - | - |
| | 4,041,119 | 2,904,435 | 91,600 | 27,196 |
| Fixed deposits with licensed banks | 156,832 | 151,240 | - | - |
| Unclaimed dividends at bank | 13,505 | 19,784 | 13,505 | 19,784 |
| | 4,211,456 | 3,075,459 | 105,105 | 46,980 |

**Group**

Fixed deposits with licensed banks are pledged against bank guarantee facilities granted to subsidiary companies.

The above fixed deposits have maturity of 365 days and carry interest at weighted average effective rates of 2.98% and 3.7% (2004 : 3.7%) per annum.

## 26. ACQUISITION AND INCORPORATION OF SUBSIDIARY COMPANIES

The effects of the acquisition and incorporation of Favourite Design Sdn. Bhd. and A To Z Home Centre Sdn. Bhd. respectively on the Group's financial statements are as follows:-

a) Effect on the financial results of the Group at the financial year end is as follows:-

| | Group | |
|---|---|---|
| | Acquisition of Favourite Design Sdn. Bhd. 2005 RM | Incorporation of A To Z Home Centre Sdn. Bhd. 2004 RM |
| Revenue | 15,798,708 | 575,799 |
| Cost of sales | (13,623,549) | (274,339) |
| Gross profit | 2,175,159 | 301,460 |
| Other operating income | 194,636 | 8,851 |
| | 2,369,795 | 310,311 |
| Administrative expenses | (303,611) | (466,226) |
| Selling expenses | (800,713) | (61,334) |
| Profit/(loss) from operations | 1,265,471 | (217,249) |
| Finance cost | (97,985) | (111) |
| Profit/(loss) before taxation | 1,167,486 | (217,360) |
| Taxation | (123,796) | - |
| Increase/(decrease) in net profit of the Group | 1,043,690 | (217,360) |

## 26. ACQUISITION AND INCORPORATION OF SUBSIDIARY COMPANIES – continued

b) Effect on the financial position of the Group as at year end is as follows:-

| | Group | |
|---|---|---|
| | Acquisition of Favourite Design Sdn. Bhd. | Incorporation of A To Z Home Centre Sdn. Bhd. |
| | **2005** | **2004** |
| | **RM** | **RM** |
| Property, plant and equipment | 6,469,659 | 440,034 |
| Inventories | 4,872,118 | 305,669 |
| Trade receivables | 1,333,846 | 411,650 |
| Other receivables | 508,711 | 51,188 |
| Tax recoverable | 118,971 | - |
| Cash and bank balances | 1,599,305 | 54,722 |
| Trade payables | (4,910,656) | (162,249) |
| Other payables | (3,535,532) | (879,659) |
| Borrowings | (3,417,655) | - |
| Deferred taxation | (182,472) | - |
| Increase in net assets of the Group | 2,856,295 | 221,355 |

c) The details of net assets acquired and cash flow arising from the acquisition and incorporation of the subsidiary companies are as follows:-

| | Group | |
|---|---|---|
| | At date of acquisition | At date of incorporation |
| | **2005** | **2004** |
| | **RM** | **RM** |
| Property, plant and equipment | 5,526,707 | - |
| Inventories | 2,903,476 | - |
| Trade and other receivables | 920,675 | - |
| Tax recoverable | 134,328 | - |
| Cash and bank balances | 273,742 | 500,000 |
| Amounts due to directors | (1,603,440) | - |
| Trade and other payables | (3,465,672) | - |
| Borrowings | (2,745,538) | - |
| Deferred taxation | (134,033) | - |
| Fair value of net assets acquired | 1,810,245 | 500,000 |
| Goodwill on acquisition | 198,505 | - |
| Total purchase consideration | 2,008,750 | 500,000 |

## 26. ACQUISITION AND INCORPORATION OF SUBSIDIARY COMPANIES – continued

| | Group | |
|---|---|---|
| | At date of acquisition 2005 RM | At date of incorporation 2004 RM |
| Less: | | |
| Cash and cash equivalents of subsidiary companies acquired/incorporated | (273,742) | (500,000) |
| Cash flow on acquisition/incorporation of subsidiary companies, net of cash acquired | 1,735,008 | - |

## 27. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant transactions undertaken with the following parties during the financial year were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Dividend received from subsidiary company | - | - | 2,900,000 | 1,250,000 |
| Rental charge by directors, Chua Lee Seng & his wife, Tok Heng Leong and Soo Tee Heng | 32,988 | 32,988 | - | - |
| Booth rental charge by a company in which director, Mr. Chua Lee Seng is a director | 65,835 | 69,300 | - | - |

## 28. CONTINGENT LIABILITY - UNSECURED

**Company**

The Company has extended corporate guarantee to bankers and financiers for credit facilities to a limit of approximately RM43 million (2004 - 37.8 million) granted to subsidiary companies.

Accordingly, the Company is contingently liable to the extent of credit facilities utilised by the subsidiary companies amounting to approximately RM13.11 million as of 31 December 2005 (2004 - 17.68 million).

## 29. NUMBER OF EMPLOYEES AND STAFF COSTS

a) The total staff costs recognised in the income statements were as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Salaries and wages | 12,487,087 | 11,169,860 | 24,000 | 24,000 |
| Defined contribution retirement plan | 745,412 | 673,932 | - | - |
| Other employee benefits | 235,758 | 221,762 | - | - |
| | 13,468,257 | 12,065,554 | 24,000 | 24,000 |

Staff costs of RM34,767 for the year 2004 had been included in pre-operating expenses.

b) The number of employees in the Group and the Company as at 31 December were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2005 Nos. | 2004 Nos. | 2005 Nos. | 2004 Nos. |
| Management | 8 | 7 | 1 | 1 |
| Administration | 87 | 92 | - | - |
| Operations | 814 | 662 | - | - |
| | 909 | 761 | 1 | 1 |

## 30. SEGMENTAL REPORTING - GROUP

Segment information is presented in respect of the Group's business segment.

| 2005 | Investment holding RM | Marketing and Manufacturing RM | distribution RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|---|
| **REVENUE AND EXPENSES** | | | | | |
| Revenue | | | | | |
| External sales | - | 85,151,802 | 18,048,219 | - | 103,200,021 |
| Inter-segment revenue | 2,900,000 | 22,920,775 | 65,385 | (25,886,160) | - |
| **Total** | 2,900,000 | 108,072,577 | 18,113,604 | (25,886,160) | 103,200,021 |
| **Results** | | | | | |
| Segment results | 2,154,302 | 936,778 | 1,110,469 | (2,431,682) | 1,769,867 |
| Finance cost, net | | | | | (656,599) |
| Profit before taxation | | | | | 1,113,268 |
| Taxation | | | | | (406,928) |
| Net profit for the year | | | | | 706,340 |
| **ASSETS AND LIABILITIES** | | | | | |
| Segment assets # | 116,399 | 101,393,909 | 8,332,077 | - | 109,842,385 |
| Segment liabilities @ | 26,482 | 22,637,694 | 1,730,662 | - | 24,394,838 |
| **OTHER INFORMATION** | | | | | |
| Capital expenditure | - | 1,758,419 | 102,130 | - | 1,860,549 |
| Depreciation | 48,954 | 4,124,248 | 144,599 | - | 4,317,801 |
| Amortisation | - | 80,209 | - | - | 80,209 |
| Non-cash expenses other than depreciation and amortisation | - | 200,874 | 54,254 | - | 255,128 |

## 30. SEGMENTAL REPORTING - GROUP – continued

| 2004 | Investment holding RM | Manufacturing RM | Marketing and distribution RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|---|
| **REVENUE AND EXPENSES** | | | | | |
| **Revenue** | | | | | |
| External sales | - | 72,622,401 | 19,133,328 | - | 91,755,729 |
| Inter-segment revenue | 1,250,000 | 30,195,727 | 61,285 | (31,507,012) | - |
| **Total** | 1,250,000 | 102,818,128 | 19,194,613 | (31,507,012) | 91,755,729 |
| **Results** | | | | | |
| Segment results | 966,877 | 2,508,701 | 2,181,390 | (1,353,274) | 4,303,694 |
| Finance cost, net | | | | | (701,310) |
| Profit before taxation | | | | | 3,602,384 |
| Taxation | | | | | (708,667) |
| Net profit for the year | | | | | 2,893,717 |
| **ASSETS AND LIABILITIES** | | | | | |
| Segment assets # | 101,439 | 100,640,871 | 9,496,517 | - | 110,238,827 |
| Segment liabilities @ | 33,073 | 25,213,993 | 354,246 | - | 25,601,312 |
| **OTHER INFORMATION** | | | | | |
| Capital expenditure | - | 4,403,167 | 688,390 | - | 5,091,557 |
| Depreciation | 90,373 | 4,069,615 | 93,954 | - | 4,253,942 |
| Amortisation | - | 60,355 | - | - | 60,355 |
| Non-cash expenses other than depreciation and amortisation | - | 134,699 | 107,737 | - | 242,436 |

An analysis by geographical segment has not been presented as the Group operates wholly in Malaysia.

\# :Segment assets comprise total current and non-current assets, less tax recoverable
@ :Segment liabilities comprise total current and long-term liabilities, less tax payable and deferred taxation.

## 31. FINANCIAL RISK MANAGEMENT

The operations of the Group is exposed to a variety of financial risks, including foreign currency risk, credit risk, interest rate risk, liquidity and cash flow risks. The objective of the overall financial risk management of the Group is to minimise the Group's exposure to risks and cost associated with the financing, investing and operating activities of the Group. Financial risk management is carried out through risk reviews, internal control systems and insurance programme.

a) **Foreign currency risk**

The Group incurs foreign currency risk on sale transactions denominated in currencies other than Malaysian Ringgit. The currency giving rise to this risk is primarily United States Dollar and Singapore Dollar.

Foreign exchange exposure in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. The Group had entered into forward foreign exchange contracts to limit its exposure on foreign currency receivables.

As at the balance sheet date, the Group had entered into forward foreign exchange contracts with the following notional amount and maturity:-

| | Currency | Maturity within one month RM |
|---|---|---|
| As at 31 December 2005 | | |
| Forward contracts used to hedge sales | United States Dollar | 4,727,981 |
| As at 31 December 2004 | | |
| Forward contracts used to hedge sales | United States Dollar | 6,339,199 |

The net unrecognised losses as at 31 December 2005 on forward currency contracts used to hedge anticipated sales which are expected to occur in January 2006 amounted to RM19,575 (2004 - RM114) and are deferred until the related sales are transacted, at which time they are included in the measurement of such transactions.

b) **Credit risk**

The Group manages credit risk by setting credit limits and ensuring that sales of goods are made to customers with an appropriate credit history. Collaterals are obtained where necessary from some customers to mitigate the credit risk exposure. Trade receivables are monitored on a regular and ongoing basis for irregularities.

At balance sheet date, there was no significant exposure to any individual customer except for trade debts relating to two major customers which account for 14% of its total trade debts as of 31 December 2005.

In respect of credit risk arises when sales are made on deferred payment terms, the Group seeks to minimise credit risk by using appropriate credit scoring and collection follow-up techniques. The Group closely monitors credit performance statistics and takes action as necessary.

## 31. FINANCIAL RISK MANAGEMENT – continued

c) **Interest rate risk**

The Group's policy is to borrow principally on a floating rate basis but to retain a proportion of fixed rate debts. The objectives for the mix between fixed and floating rate borrowings are to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

d) **Liquidity and cash flow risks**

The Group seeks to achieve a balance between certainty of funding and a flexible, cost-effective borrowing structure. The policy, therefore, seeks to ensure that at a minimum, all projected net borrowing needs are covered by committed facilities. Also, the objective for debt maturities is to ensure that the amount of debt maturing in any one year is not beyond the Group's means to repay and refinance.

## 32. FAIR VALUES

**Recognised**

a) The aggregate fair values of financial liabilities carried on the balance sheet as at 31 December are presented in the following table:

| | Group | | | |
|---|---|---|---|---|
| | 2005 | | 2004 | |
| | Carrying amount RM | Fair value RM | Carrying amount RM | Fair value RM |
| Non-current financial liabilities | | | | |
| Hire purchase payables | 650,779 | 644,055 | 477,221 | 490,989 |
| Term loans | 3,955,596 | 3,935,442 | - | - |

b) It is not practical to estimate the fair value of investment in subsidiary companies due to the constraints of timeliness and cost involved.

c) It is also not practical to estimate the fair values of amounts due by subsidiary companies principally due to lack of fixed repayment terms entered by the parties involved and without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received.

## 32. FAIR VALUES – continued

**Unrecognised**

a) It is not practical to estimate the fair value of contingent liability reliably due to the uncertainties of timing, costs and eventual outcome.

b) The fair values of forward exchange contracts of the Group as at 31 December 2005 are estimated at RM4,701,870 (2004 - RM6,339,313).

## 33. COMPARATIVE INFORMATION

The following comparative figures have been reclassified on the face of consolidated income statement to conform with current year's presentation :-

| | As restated RM | As previously reported RM |
|---|---|---|
| **REVENUE** | 91,266,330 | 91,179,930 |
| **OTHER OPERATING INCOME** | 1,475,590 | 1,561,990 |
| Administrative expenses | (6,776,453) | (5,919,357) |
| Other operating expenses | - | (857,096) |



The Group's policy on revaluation of landed properties is as stated in Note 3(e) to the Financial Statements.

| Location | Description | Land Area (sq.m) | Existing Use | Tenure / Age of Building | Net Book Value as at 31-12-2005 RM | Date of Revaluation or Acquisition |
|---|---|---|---|---|---|---|
| **Lii Hen Furniture Sdn Bhd ( LHF )** | | | | | | |
| H.S (D) 21321, PTD No. 1465, Mukim of Sg. Terap, District of Muar, State of Johore. (PLO 43) | 3 blocks of single-storey factory building, a double-storey and a 3-storey office block annexes and ancillary buildings | 16,187 | Office and furniture manufacturing facilities | Leasehold 60 years, Expiring on 20.05.2056 / 10 to 13 years | 8,403,736 | 30.12.2004 ( Date of Revaluation ) |
| H.S (D) 21322, PTD No. 1466, Mukim of Sg. Terap, District of Muar, State of Johore. (PLO 44) | A block of single-storey factory building and TNB substation | 6,070 | Furniture manufacturing facilities | Leasehold 60 years, Expiring on 20.05.2056 / 10 years | 2,844,081 | 30.12.2004 ( Date of Revaluation ) |
| H.S (D) 21323, PTD No. 1467, Mukim of Sg. Terap, District of Muar, State of Johore. (PLO 10) | A block of single-storey factory building with an office annexe | 6,358 | Office and furniture manufacturing facilities | Leasehold 60 years, Expiring on 20.05.2056 / 13 years | 1,790,654 | 30.12.2004 ( Date of Revaluation ) |
| H.S (D) 21963, PTD No. 1543, Mukim of Sg. Terap, District of Muar, State of Johore. (PLO 29) | A block of single-storey factory building with an office annexe | 7,692 | Office and furniture manufacturing facilities | Leasehold 60 years, Expiring on 05.09.2056 / 7 years | 3,208,404 | 29.05.2004 ( Date of Acquisition ) |
| **Kejora Juara Sdn Bhd ( KJSB )** | | | | | | |
| H.S (D) 21971, PTD No. 1475, Mukim of Sg. Terap, District of Muar, State of Johore. | A block of single-storey factory building | 8,094 | Furniture manufacturing facilities | Leasehold 60 years, Expiring on 24.09.2056 / 6 years | 3,801,888 | 31.12.2004 ( Date of Revaluation ) |

# LIST OF LANDED PROPERTIES
- Continued

The Group's policy on revaluation of landed properties is as stated in Note 3(e) to the Financial Statements.

| Location | Description | Land Area (sq.m) | Existing Use | Tenure / Age of Building | Net Book Value as at 31-12-2005 RM | Date of Revaluation or Acquisition |
|---|---|---|---|---|---|---|
| **EF Furniture Sdn Bhd ( EFF )** | | | | | | |
| H.S (D) 21325, PTD No. 1469, Mukim of Sg. Terap, District of Muar, State of Johore. (PLO 8) | A block of single-storey factory building and a double-storey office annexe, a guard house and pump house | 10,117 | Office and furniture manufacturing facilities | Leasehold 60 years, Expiring on 20.05.2056 / 11 years | 5,179,142 | 30.12.2004 ( Date of Revaluation ) |
| MG9, Lot No. 905 Mukim of Sg. Terap, District of Muar, State of Johore. | Vacant land | 11,255 | N/A | Freehold / N/A | 441,829 | 2.11.2001 ( Date of Acquisition ) |
| **CT Haup Heng Sdn Bhd ( CTHH )** | | | | | | |
| H.S (D) 21318, PTD No. 1462, Mukim of Sg. Terap, District of Muar, State of Johore. (PLO 9) | 2 blocks of single-storey factory building together with extension and a guard house | 10,117 | Furniture manufacturing facilities | Leasehold 60 years, Expiring on 20.05.2056 / 10 to 13 years | 4,192,631 | 30.12.2004 ( Date of Revaluation ) |
| **Mayteck Kilang Kayu Dan Perabut Sdn Bhd ( MKK )** | | | | | | |
| H.S (D) 22630 & 22631, PTD No. 6042 & 6043, Mukim of Grisek, District of Muar, State of Johore. | A block of single-storey factory building with a double-storey office annexe, 2 blocks of kiln-drying factories, 20 units of K-D chambers and ancillary buildings | 18,460 | Office and furniture manufacturing, wood treatment, and kiln-drying facilities | Freehold / 6 to 19 years | 5,355,458 | 30.11.2004 ( Date of Revaluation ) |
| **Favourite Design Sdn Bhd (FDSB)** | | | | | | |
| H.S.(D) 21960, PTD No: 1544, Mukim of Sungai Terap, District of Muar State of Johor | A large block of single-storey furniture factory building together with a double-storey office block and a guard house as well as factory extension | 8,094 | Office and furniture manufacturing facilities | Leasehold 60 years, Expiring on 05.09.2056/ 9 years | 3,994,645 | 25.02.2004 ( Date of Revaluation) |



## PRINCIPAL STATISTICS

| | |
|---|---|
| Authorised Share Capital | - RM 100,000,000 |
| Issued & Paid-Up Share Capital | - RM 60,000,000 |
| Class of Shares | - Ordinary Shares of RM 1 each |
| Voting Rights | - One vote per ordinary share |
| Number of Shareholders | - 2658 |

| | No. of Shareholders | % of Shareholders | No. of Shares Held | % of Issued Share Capital |
|---|---|---|---|---|
| **less than 1,000** | 537 | 20.20% | 479,507 | 0.80% |
| **1,000 to 10,000** | 1,754 | 65.99% | 6,847,399 | 11.41% |
| **10,001 to 100,000** | 334 | 12.57% | 9,855,349 | 16.43% |
| **100,001 to less than 5%** | 32 | 1.20% | 17,798,075 | 29.66% |
| **5% and above** | 1 | 0.04% | 25,019,670 | 41.70% |
| **Total** | **2,658** | **100.00%** | **60,000,000** | **100.00%** |

## DIRECTORS' SHAREHOLDINGS

| | No. of Shares Held | | % of Issued Shares Capital | |
|---|---|---|---|---|
| Name of Directors | Direct | Deemed | Direct | Deemed |
| Chua Lee Seng | - | 25,386,170 (a) | - | 42.31 |
| Tok Heng Leong | 150,043 | 25,386,170 (a) | 0.25 | 42.31 |
| Mohd Qari Bin Ahmad | 1,031,500 | 1,811,000 (b) | 1.72 | 3.02 |
| Tan Bee Eng | 152,665 | 25,386,170 (a) | 0.25 | 42.31 |
| Chua Yong Haup | - | - | - | - |
| Tey Ping Cheng | - | - | - | - |
| Onn Yee Han | - | - | - | - |



**Notes :**

(a) Deemed interest by virtue of his substantial shareholdings in Assets Muar Sdn Bhd
(b) Deemed interest by virtue of his substantial shareholdings in Tirai Gemerlapan Sdn Bhd

# ANALYSIS OF SHAREHOLDING
## AS AT 17 APRIL 2006

### SUBSTANTIAL SHAREHOLDERS

| Shareholders | No. of Shares Held Direct | Deemed | % of Issued Shares Capital Direct | Deemed |
|---|---|---|---|---|
| Assets Muar Sdn Bhd | 25,386,170 | - | 42.31 | - |
| Siow Chung Peng | 3,985,300 (a) | - | - | 6.64 |
| Chua Lee Seng | - | 25,386,170 (b) | - | 42.31 |
| Tan Bee Eng | 152,665 | 25,386,170 (b) | 0.25 | 42.31 |
| Tok Heng Leong | 150,043 | 25,386,170 (b) | 0.25 | 42.31 |
| Soo Tee Heng ( f ) | - | 25,386,170 (c) | - | 42.31 |

**Notes :**

(a) The shares are held through the nominee companies
(b) Deemed interest by virtue of his substantial interest in Assets Muar Sdn Bhd
(c) Deemed interest by virtue of her substantial interest in Assets Muar Sdn Bhd



**THIRTY (30) LARGEST SHAREHOLDERS**

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

| No. | Name | No. of Shares Held | % of Issued Share Capital |
|---|---|---|---|
| 1. | ASSETS MUAR SDN BHD | 25,019,670 | 41.70 |
| 2. | MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR SIOW CHUNG PENG* | 2,897,000 | 4.83 |
| 3 | MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR MOHAMMAD BIN ALI* | 2,412,600 | 4.02 |
| 4 | MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR SIOW CHUNG LIN* | 2,298,600 | 3.83 |
| 5 | TIRAI GEMERLAPAN SDN BHD | 1,811,000 | 3.02 |
| 6 | MOHD QARI BIN AHMAD | 1,031,500 | 1.72 |
| 7 | SOON PENG LEN | 930,000 | 1.55 |
| 8 | TA NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR SIOW CHUNG PENG* | 656,200 | 1.09 |
| 9 | ABB NOMINEE (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR CHONG TON NEN @ PETER CHONG* | 575,000 | 0.96 |
| 10 | MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR SIOW CHUNG PENG* | 432,100 | 0.72 |
| 11 | NEOH CHER LEONG | 369,665 | 0.62 |
| 12 | ASSETS MUAR SDN. BHD | 366,500 | 0.61 |
| 13 | TEH CHIN CHOR | 354,200 | 0.59 |
| 14 | TAN LAI HOCK | 351,600 | 0.59 |
| 15 | WAN SAZRUDEEN BIN WAN ZAID | 313,600 | 0.52 |
| 16 | A.A. ANTHONY NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR CHONG TON NEN @ PETER CHONG* | 244,100 | 0.41 |
| 17 | BO ENG CHEE | 227,100 | 0.38 |
| 18 | TAY SOON AIK | 225,102 | 0.38 |
| 19 | MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR CHAN KAM SAM @ CHAN KAM YAN* | 223,700 | 0.37 |
| 20 | TOK SIEW TIN | 218,600 | 0.36 |
| 21 | TOH HENG HWEE @ THO PE HWI | 214,000 | 0.36 |
| 22 | RC NOMINEES (TEMPATAN) SDN BHD<br>*LU YEEP HING* | 193,000 | 0.32 |
| 23 | TAN BEE ENG | 152,665 | 0.25 |
| 24 | TOK HENG LEONG | 150,043 | 0.25 |
| 25 | TAN KOW HOW | 145,000 | 0.24 |
| 26 | NGU CHENG WEN | 136,000 | 0.23 |
| 27 | CHUA MIAW CHENG | 136,000 | 0.23 |
| 28 | TA NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR WONG KON LIM* | 130,000 | 0.22 |
| 29 | BUMIPUTRA-COMMERCE NOMINEES (TEMPATAN) SDN. BHD.<br>*PLEDGED SECURITIES ACCOUNT FOR A.A. ANTHONY SECURITIES SDN. BHD* | 129,000 | 0.22 |
| 30 | CHOK KOON LAN | 124,700 | 0.21 |
| | **TOTAL** | 42,468,245 | 70.80 |

# PROXY FORM

| No of Ordinary Shares held |
|---|
| |

**I/We** ........................................................................................................ (Full Name in Block Letters)

**of** ........................................................................................................ (Address)

**being a Member/Members of the Lii Hen Industries Bhd. hereby appoint the Chairman of the meeting or appoint**

........................................................................................................ (Full Name in Block Letters)

**of** ........................................................................................................ (Address)

**or failing him,** ........................................................................................................ (Full Name in Block Letters)

**of** ........................................................................................................ (Address)

as *my/our proxy/proxies to attend and vote for *me/us and on *my/our behalf at the Twelfth Annual General Meeting of the Company, to be held at Classic 1, Ballroom, Classic Hotel, 69, Jalan Ali, 84000 Muar, Johor on Friday, 16th day of June, 2006, at 11.30 a.m. and, at every adjournment thereof to vote as indicated below:-

| Resolution | | For | Against |
|---|---|---|---|
| To receive and consider the audited financial statements for the year ended 31 December 2005 and the Reports of the Directors and Auditors thereon. | **Resolution 1** | | |
| To sanction the payment of a first and final tax dividend of 1.5% less 28% tax for the year ended 31 December 2005. | **Resolution 2** | | |
| To re-elect Directors retiring under the Company's Articles of Association:- | | | |
| (a) Chua Yong Haup (Article 83) | **Resolution 3** | | |
| (b) Tey Ping Cheng (Article 83) | **Resolution 4** | | |
| (c) Onn Yee Han (Article 90) | **Resolution 5** | | |
| To re-appoint Messrs. John Lim & Associates as auditors of the Company and to authorise the Directors to fix their remuneration. | **Resolution 6** | | |
| To empower the Directors to issue & allot shares up to 10% of the issued share capital of the Company. | **Resolution 7** | | |
| To empower the Directors to issue & allot shares in connection with the ESOS | **Resolution 8** | | |
| To give mandate for renewal of recurrent related party transactions | **Resolution 9** | | |
| To give mandate for new recurrent related party transactions | **Resolution 10** | | |

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

The proportions of my holding to be represented by my proxy/proxies are as follows:-

| | |
|---|---|
| First named Proxy | % |
| Second named Proxy | % |
| | 100% |

In case of a vote taken by a show of hands, the First Proxy shall vote on *my/our behalf.

As witness my hand this day of 2006

**Signature of Shareholder or Common Seal**

*** Strike out whichever is not desired**

STAMP

THE SECRETARY
**LII HEN INDUSRIES BHD.** (301361-U)
NO. 67, 2ND FLOOR ROOM B JALAN ALI
84000 MUAR
JOHOR DARUL TAKZIM

Notes:

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

2. Where a member appoints two or more proxies, the appointment shall be invalid unless the member specifies the proportions of his holding to be represented by each proxy.

3. The instrument appointing a proxy in the case of any individual shall be signed by the appointor or his attorney duly authorised in writing and in the case of a corporation under its common seal or under the hand of an office or attorney duly authorised.

4. To be valid the proxy form must be duly completed and deposited at the registered office of the Company, No. 67, 2nd Floor, Room B, Jalan Ali, 84000 Muar, Johor, not less than forty eight (48) hours before the time for holding the meeting.