

FURNIWEB INDUSTRIAL PRODUCTS BERHAD
(Company No: 541706-V)

Notes on the quarterly report – 30 September 2007

PART A: EXPLANATORY NOTES AS PER FRS 134

A1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, including compliance with Financial Reporting Standard 134₂₀₀₄, Interim Financial Reporting, issued by the Malaysian Accounting Standards Board (“MASB”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

The preparation of an interim financial report in conformity with FRS 134₂₀₀₄, Interim Financial Reporting requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements to be prepared in accordance with FRSs.

The financial information relating to the financial year ended 31 December 2006 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2006 are available from the Company’s registered office.

A2. Auditors’ report on preceding annual financial statements

The auditors have expressed an unqualified opinion on the Company’s statutory financial statements for the year ended 31 December 2006 in their report dated 26 April 2007.

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A3. Seasonality of operations

The Group's results were not materially affected by any major seasonal or cyclical factors.

A4. Significant event

On 8 October 2007 the Company convened an extraordinary general meeting and obtained shareholders approval for:

(a) The proposed listing of Furniweb Manufacturing (Vietnam) Co. Ltd. ("FMVC"), a wholly owned subsidiary of the Company on the Ho Chi Minh City Securities Trading Centre ("HSTC"), with Premier Elastic Webbing & Accessories (Vietnam) Co. Ltd. and Furnitech Components (Vietnam) Co. Ltd. being subsidiaries of FMVC.

(b) A general mandate for the Company to further divest up to 800,000 ordinary shares of VND10,000 each in FMVC, representing up to 10% of the enlarged issued and paid up share capital of FMVC after its proposed listing on HSTC, for cash through the open market and/or placements.

The proposed listing is currently in progress.

A5. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter and financial year-to-date.

A6. Changes in estimates

There were no changes in estimates that have had material effect in the current quarter and financial year-to-date results.

A7. Capital and reserves

(a) Capitalisation issue

There were no capitalisation issues during the current quarter and financial year-to-date under review.

(b) Repurchase of own shares

There were no repurchase by the Company of its own shares during the current quarter and financial year-to-date under review.

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(c) Equity settled share-based transactions

During the current quarter and financial year under review, the Company's issued and paid-up capital increased through the issuance of new ordinary shares of RM0.50 each pursuant to the exercise of options granted under the Company's Employees' Share Option Scheme.

Issued and paid-up capital

	RM'000
Balance at 1 January 2007	45,000
Paid-up during year	
- First quarter 2007	259
- Second quarter 2007	90
- Third quarter 2007	1
Balance at 30 September 2007	<u>45,350</u>

Number of ordinary shares issued

	'000
Balance at 1 January 2007	90,000
Issued during year	
- First quarter 2007	517
- Second quarter 2007	181
- Third quarter 2007	1
Balance at 30 September 2007	<u>90,699</u>

A8. Dividends

There was no dividend declared during the current quarter and financial year-to-date under review in relation to the financial year ending 31 December 2007.

On 27 July 2007, the Company paid a final dividend for the financial year ended 31 December 2006. Details of the final dividend are as follows:

	For the financial year ended	
	31 December 2006	31 December 2005
	RM'000	RM'000
2.75 sen (2006: 2.5 sen) tax exempt	2,489	2,246
0.25 sen (2006: 0.5 sen) less tax	165	323
	<u>2,654</u>	<u>2,569</u>

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A9. Segment reporting

The Company's primary format for reporting segment information is business segments. Revenue from external customers represents the sales value of goods supplied to customers.

For the period ended 30 September	Webbing, yarn & furniture components		Rubber strips & fabrics		Others		Eliminations		Consolidated	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Revenue from external customers	51,782	44,463	17,277	16,985	1,838	1,704	-	-	70,897	63,152
Inter-segment revenue	2,898	2,716	77	243	9,865	212	(12,840)	(3,171)	-	-
Total	54,680	47,179	17,354	17,228	11,703	1,916	(12,840)	(3,171)	70,897	63,152
Segment result	7,358	5,211	640	1,610	(290)	(158)	-	-	7,708	6,663
Unallocated operating income and expenses										(56)
Operating profit									7,708	6,607

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A10. Property, plant and equipment

(a) Acquisitions and disposals

There were no material acquisitions and disposals during the current quarter and financial year-to-date under review.

(b) Impairment losses

There were no impairment losses during the current quarter and financial year-to-date under review.

(c) Valuation

The valuation of land and buildings has been brought forward, without amendment from the previous annual report.

A11. Post balance sheet events

There were no material events after the financial period that have not been reflected in the financial statements for the financial period ended 30 September 2007.

A12. Changes in composition of the Group

There were no changes in the composition of the Group during the current quarter and financial year-to-date under review.

A13. Contingent assets

There were no contingent assets for the Group as at the date of this announcement.

A14. Contingent liabilities

There were no contingent liabilities for the Group as at the date of this announcement.

A15. Capital commitments outstanding not provided for in the interim financial report

There were no capital commitments outstanding not provided for in the financial statements for the current quarter and financial year-to-date under review.

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A16. Material related party transactions

	Quarter ended		Cumulative period	
	30 September		ended	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
(i) Rental expenses	45	45	135	135
(ii) Sale of goods	75	221	502	700
(iii) Dividends received/ receivable	255	184	255	184

Notes:

- (i) Transactions with a company in which a director of a subsidiary has an interest
- (ii) Transactions with a joint venture partner
- (iii) Transactions with a jointly controlled entity

Other than as disclosed above, there were no other material related party transactions entered into during the current quarter and financial year-to-date under review.

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**PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA
MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**

B1. Review of performance

The Group achieved revenue of RM21.6 million for the quarter under review, representing a decline of 5.5% compared to the revenue of RM22.9 million reported in the corresponding quarter in the previous year. The decrease in revenue is largely due to the overall reduction in orders from customers worldwide for both the Group's Malaysia and Vietnam operations after two relatively strong quarters in the first half of the year.

In line with the overall decrease in revenue, profit attributable to equity holders of the Company also decreased from the RM2.5 million reported in the preceding year's corresponding quarter to RM2.0 million in the current quarter, a reduction of RM0.5 million or 21.8%.

B2. Variation of results against preceding quarter

The Group's revenue of RM21.6 million for the third quarter was RM3.6 million or 14.3% lower than the RM25.2 million recorded in the preceding quarter due to lower sales from its markets around the world.

Corresponding to the decreased in revenue, profit attributable to equity holders of the Company of RM2.0 million for the quarter under review was also RM0.4 million or 18.5% lower compared to the RM2.4 million reported in the previous quarter.

B3. Current year prospects

The Group's revenue of RM70.9 million up to the end of the third quarter of 2007 has exceeded the revenue of RM63.2 million reported for the corresponding period in 2006 by 12.3%. Demand for the Group's products is anticipated to remain encouraging for the last quarter of the year.

Profit attributable to equity holders of the Company as at 30 September 2007 stood at RM6.9 million, representing an increase of 15.8% from the RM6.0 million reported for the corresponding period last year.

Barring any unforeseen circumstances, the performance of the Group for the remainder of the year should be satisfactory.

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B4. Profit forecast

Not applicable as the Group did not publish any profit forecast.

B5. Income tax expenses

	Quarter ended 30 September 2007 RM'000	Cumulative period ended 30 September 2007 RM'000
Current tax – Malaysia	(6)	638
Current tax – Overseas	102	224
Deferred taxation	-	-
	<u>96</u>	<u>862</u>

The effective tax rate of the Group for the period ended 30 September 2007 is 12.0%, which is lower than the statutory income tax rate as the Group is enjoying tax incentives such as reinvestment allowance and double deductions. In addition, certain overseas subsidiary companies are either tax exempt or are enjoying lower corporate tax rates.

B6. Unquoted investments and/or properties

There was no sale of unquoted investments and/or properties for the current quarter and financial year-to-date under review.

B7. Quoted investments

	At 30 September 2007 RM'000	At 30 September 2006 RM'000
Quoted shares in Malaysia - at cost	148	148
Less: Allowance for diminution in value	(82)	(110)
	<u>66</u>	<u>38</u>
Market value	<u>150</u>	<u>55</u>

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B8. Status of corporate proposals announced

The status of utilisation of the proceeds raised from the Rights and Public Issue pursuant to the listing of the Company in the Second Board of Bursa Malaysia Securities Berhad amounting to RM15,475,518 is as follows:

	Revised utilisation of proceeds RM'000	Utilised as at the date of report RM'000
Factory expansion	3,500	2,720
Purchase of machinery	3,000	3,000
Working capital	7,360	7,360
Estimated listing expenses	1,615	1,615
	15,475	14,695

The unutilised amount of RM780,000 is allocated for the factory expansion of Furniweb Manufacturing Sdn Bhd (“FMSB”), a wholly owned subsidiary.

The construction plan for the expansion has recently been approved by the relevant authorities and FMSB has called for tender to undertake the project. It is anticipated that the unutilized amount will be fully utilised by 30 September 2008.

B9. Borrowings and debts securities

The Group’s borrowings as at the end of the reporting quarter are as follows:

	At 30 September 2007 RM'000	At 30 September 2006 RM'000
Short term borrowings	8,982	10,277
Long term borrowings	9,222	11,457
	18,204	21,734
The borrowings are denominated in the following currencies:		
In Ringgit Malaysia	6,263	8,506
In US Dollars	8,623	10,499
In Vietnam VND	3,318	2,729
	18,204	21,734

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The bank borrowings are secured by way of debentures on the fixed and floating assets of the Group and corporate guarantees of the Company.

B10. Off balance sheet financial instruments

As at the reporting date, the Group does not have any off balance sheet financial instruments.

B11. Changes in material litigation

There is no material litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Group.

B12. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company for the period by the weighted average number of ordinary shares in issue during the period after share buy back.

	Quarter ended 30 September 2007	Cumulative period ended 30 September 2007
Profit for the period (RM'000)	1,879	6,300
Add: Amount attributable to minority interests (RM'000)	112	610
Profit attributable to shareholders of the Company (RM'000)	1,991	6,910
Weighted average number of ordinary shares in issue ('000)	90,297	90,297
Basic earnings per share (sen)	2.20	7.65

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares in issue during the period after share buy back has to be adjusted for the dilutive effects of all potential ordinary shares, i.e. share options granted to employees via the Company's Employees' Share Option Scheme ("ESOS").

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	Quarter ended 30 September 2007	Cumulative period ended 30 September 2007
Profit for the period (RM'000)	1,879	6,300
Add: Amount attributable to minority interests (RM'000)	112	610
Profit attributable to shareholders of the Company (RM'000)	<u>1,991</u>	<u>6,910</u>
Diluted weighted average number of ordinary shares in issue ('000)	<u>91,717</u>	<u>91,717</u>
Diluted earnings per share (sen)	<u>2.16</u>	<u>7.53</u>

B13. Net assets per share

Net assets per share attributable to equity holders of the parent is arrived at by dividing the total equity attributable to shareholders of the Company at the end of the period by the number of ordinary shares in issue at the end of the period after share buy back.

	At 30 September 2007	At 31 December 2006
Total equity attributable to shareholders of the Company (RM'000)	<u>68,451</u>	<u>64,488</u>
Number of ordinary shares in issue (‘000)	90,699	90,000
Number of shares repurchased (‘000)	<u>(209)</u>	<u>(209)</u>
Number of ordinary shares in issue after share buy back (‘000)	<u>90,490</u>	<u>89,791</u>
Net assets per share attributable to equity holders of the parent (RM)	<u>0.7565</u>	<u>0.7182</u>

B14. Authorisation for issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 22 November 2007.