

# **FURNIWEB INDUSTRIAL PRODUCTS BERHAD (541706-V)**

## **QUARTERLY REPORT - 31 March 2011**

### **PART A: NOTES TO THE INTERIM FINANCIAL STATEMENTS**

#### **A1. BASIS OF PREPARATION**

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with FRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The explanatory notes attached to the interim financial statements provide 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 financial year ended 31 December 2010.

#### **A2. AUDITORS' REPORT ON PRECEDING YEAR'S FINANCIAL STATEMENTS**

The report of the auditors to members of the Company dated 27 April 2011 on the audited financial statements for the financial year ended 31 December 2010 did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965.

#### **A3. SEASONALITY OF OPERATIONS**

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

#### **A4. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOW**

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

#### **A5. CHANGES IN ACCOUNTING ESTIMATES**

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

#### **A6. DEBT AND EQUITY SECURITIES**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter and financial year-to-date under review.

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### A7. OPERATING SEGMENTS

Information on reportable segments is presented as follows:

For the period ended 31 March	Webbing, yarn & furniture components		Rubber strips & fabrics		Others		Eliminations		Consolidated	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Revenue</b>										
Revenue from external customers	16,104	15,692	4,447	5,201	13	15	-	-	20,564	20,908
Inter-segment revenue	515	735	9	-	11	5	(535)	(740)	-	-
Total revenue	16,619	16,427	4,456	5,201	24	20	(535)	(740)	20,564	20,908
<b>Results</b>										
Operating profit/(loss)	2,137	1,696	(852)	(555)	(564)	(780)	-	-	721	361
Share of profit of a jointly controlled entity	269	174	-	-	-	-	-	-	269	174
Profit/(loss) before tax	2,406	1,870	(852)	(555)	(564)	(780)	-	-	990	535
Taxation	(292)	(186)	-	(23)	-	-	-	-	(292)	(209)
Profit for the financial period	2,114	1,684	(852)	(578)	(564)	(780)	-	-	698	326

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#### **A8. DIVIDENDS**

There were no dividends being declared or paid during the current quarter and financial year-to-date under review.

#### **A9. 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 year's financial statements.

#### **A10. EVENTS AFTER BALANCE SHEET DATE**

There were no material events subsequent to the end of the financial period that have not been reflected in the financial statements for the financial period under review.

#### **A11. 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.

#### **A12. CONTINGENT ASSETS**

The Group does not have any contingent assets as at the end of the quarter under review.

#### **A13. CONTINGENT LIABILITIES**

As at the end of the quarter under review, the Company has provided corporate guarantees amounting to RM48.6 million to financial institutions for facilities granted to its subsidiaries.

Apart from the above, the Group does not have any other contingent liabilities as at the end of the quarter under review.

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## A14. CAPITAL COMMITMENTS

	<b>At 31 March 2011 RM'000</b>	<b>At 31 December 2010 RM'000</b>
Property, plant and equipment: Contracted but not provided for	<u>2,685</u>	<u>3,674</u>

Apart from the above, there were no other capital commitments outstanding not provided for in the financial statements as at the end of the quarter under review.

## A15. MATERIAL RELATED PARTY TRANSACTIONS

	<b>Quarter ended 31 March</b>		<b>Cumulative period ended 31 March</b>	
	<b>2011 RM'000</b>	<b>2010 RM'000</b>	<b>2011 RM'000</b>	<b>2010 RM'000</b>
(i) Sale of goods	144	-	144	-
(ii) Purchase of materials	<u>-</u>	<u>14</u>	<u>-</u>	<u>14</u>

Notes:

- (i) to (ii) Transactions with a company in which a director of a subsidiary has an interest.

Apart from the 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 LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

#### **B1. REVIEW OF PERFORMANCE**

The Group's revenue of RM20.6 million for the first quarter of 2011 was 1.6% lower than the RM20.9 million reported in the corresponding quarter of the previous year as customers worldwide remain cautious in their purchasing policies as a result of increases in global materials prices.

Profit attributable to owners of the parent increased from the RM0.3 million reported in the preceding year's corresponding quarter to RM0.7 million in the current quarter. As the Group has a fair amount of inter-company balances owing from its Vietnamese subsidiaries to their Malaysian counterparts, the strengthening of the Ringgit against the US Dollar will inevitably result in foreign exchange losses. However, the Ringgit strengthened by only 2% against the US Dollar during the current quarter as opposed to the 5% in the corresponding quarter of last year resulting in lower foreign exchange losses.

Although the Group recorded a net profit of RM0.7 million during the quarter, a RM2.2 million exchange translation loss arising from the translation of the statements of financial position of its Vietnamese subsidiaries to Ringgit Malaysia for consolidation purposes resulted in a comprehensive loss of RM1.5 million.

The translation of the statements of financial position of the Vietnamese subsidiaries from their financial positions as at 31 December 2010 as compared to their financial positions as at 31 March 2011 resulted in an exchange translation loss of RM2.2 million because of the depreciation of the Vietnamese Dong against Ringgit Malaysia by approximately 11%, i.e. the value of the Company's investment in the Vietnamese subsidiaries in Ringgit Malaysia terms has depreciated by 11% which translates to RM2.2 million in value terms.

#### **B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER**

The Group's revenue of RM20.6 million for the current quarter was RM1.4 million or 7.5% higher than the RM19.1 million reported for the fourth quarter of 2010.

Profit attributable to owners of the parent of RM0.7 million for the current quarter was however RM0.4 million lower than the RM1.1 million reported in the preceding quarter. This was largely due to the reversal of RM0.8 million of deferred tax over provision from prior years during the preceding quarter.

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### B3. CURRENT YEAR PROSPECTS

The uncertainty in the current global economic landscape means 2011 will be filled with many challenges. The Group will continue to focus on its export markets for volume growth. However, the strength of our export will depend very much on the performance of the respective economies during the year.

The Board believes that with our forward looking strategy of continuing to improve on our operating efficiency and effectiveness and investing in our people's development, barring any unforeseen circumstances, the Group's performance for 2011 is expected to be satisfactory.

### B4. PROFIT FORECAST

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

### B5. TAXATION

	<b>Quarter ended 31 March 2011 RM'000</b>	<b>Cumulative period ended 31 March 2011 RM'000</b>
Current year provision – Malaysia	104	104
Current year provision – Overseas	188	188
	<hr/> <b>292</b>	<hr/> <b>292</b>

The effective tax rate of the Group for the period ended 31 March 2011 was 29.5%. The percentage is higher than the statutory income tax rate as certain subsidiaries within the Group experienced losses during the current quarter and financial year-to-date under review.

### B6. UNQUOTED INVESTMENTS AND PROPERTIES

There were no sale or purchase of unquoted investments and properties during the current quarter and financial year-to-date under review.

### B7. QUOTED INVESTMENTS

There were no sale or purchase of quoted investments during the current quarter and financial year-to-date under review.

The Group does not have any quoted investments as at the end of the quarter under review.

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### B8. BORROWINGS

The Group's borrowings as at the end of the current quarter are as follows:

	<b>At 31 March 2011 RM'000</b>	<b>At 31 December 2010 RM'000</b>
Short term borrowings	6,055	7,347
Long term borrowings	8,781	7,113
	<u>14,836</u>	<u>14,460</u>
The borrowings are denominated in the following currencies:		
- Ringgit Malaysia	8,444	8,771
- United States Dollar	3,861	3,233
- Vietnamese Dong	2,531	2,456
	<u>14,836</u>	<u>14,460</u>

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

### B9. FINANCIAL INSTRUMENTS

#### (a) Derivatives

The Group does not have any outstanding derivatives as at the end of the quarter under review.

#### (b) Gains or losses arising from fair value changes of financial liabilities

There were no gains or losses arising from fair value changes of financial liabilities during the current quarter and financial year-to-date under review.

### B10. MATERIAL LITIGATION

The Group is not involved in any claim or legal action that will have a material effect on the Group's financial position, results of operations or liquidity at the date of this report.

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### B11. EARNINGS PER ORDINARY SHARE

#### (a) Basic earnings per ordinary share

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

	<b>Quarter ended 31 March 2011</b>	<b>Cumulative period ended 31 March 2011</b>
Profit for the period (RM'000)	698	698
Add: Amount attributable to minority interest (RM'000)	3	3
Profit attributable to owners of the parent (RM'000)	<u>701</u>	<u>701</u>
Weighted average number of ordinary shares in issue ('000)	<u>90,533</u>	<u>90,533</u>
Basic earnings per ordinary share (sen)	<u>0.77</u>	<u>0.77</u>

#### (b) Diluted earnings per ordinary share

There is no diluted earnings per ordinary share as the Company does not have any convertible financial instruments as at the end of the quarter under review.



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

	<b>At 31 March 2011</b>	<b>At 31 December 2010</b>
Total equity attributable to owners of the parent (RM'000)	70,108	71,576
Number of ordinary shares in issue ('000)	90,742	90,742
Number of shares repurchased ('000)	(209)	(209)
Number of ordinary shares in issue after share buy back ('000)	90,533	90,533
Net assets per share attributable to owners of the parent (RM)	0.7744	0.7906

**B13. REALISED AND UNREALISED PROFITS/LOSSES**

	<b>At 31 March 2011 RM'000</b>	<b>At 31 December 2010 RM'000</b>
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
- Realised	52,386	51,924
- Unrealised	(4,877)	(4,858)
	47,509	47,066
Total share of retained profits from a jointly controlled entity:		
- Realised	1,054	701
- Unrealised	2	-
	48,565	47,767
Less: Consolidation adjustments	(16,181)	(16,084)
Retained earnings as per Consolidated Statement of Financial Position	32,384	31,683

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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 23 May 2011.