

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

## **QUARTERLY REPORT - 30 June 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.

# FURNIWEB INDUSTRIAL PRODUCTS BERHAD (541706-V)

## QUARTERLY REPORT - 30 June 2011

### A7. OPERATING SEGMENTS

Information on reportable segments is presented as follows:

| For the period ended<br>30 June                   | Webbing, yarn &<br>furniture components |                | Rubber strips &<br>fabrics |                | Others         |                | Eliminations   |                | Consolidated   |                |
|---|---|----------------|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|   | 2011<br>RM'000                          | 2010<br>RM'000 | 2011<br>RM'000             | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| <b>Revenue</b>                                    |   |                |                            |                |                |                |                |                |                |                |
| Revenue from external customers                   | 29,765                                  | 32,754         | 8,960                      | 10,353         | 40             | 42             | -              | -              | 38,765         | 43,149         |
| Inter-segment revenue                             | 932                                     | 964            | 51                         | 34             | 15             | 9              | (998)          | (1,007)        | -              | -              |
| Total revenue                                     | 30,697                                  | 33,718         | 9,011                      | 10,387         | 55             | 51             | (998)          | (1,007)        | 38,765         | 43,149         |
| <b>Results</b>                                    |   |                |                            |                |                |                |                |                |                |                |
| Operating profit/(loss)                           | 3,689                                   | 3,572          | (1,109)                    | (565)          | (586)          | (1,088)        | -              | -              | 1,994          | 1,919          |
| Share of profit of a jointly<br>controlled entity | 424                                     | 268            | -                          | -              | -              | -              | -              | -              | 424            | 268            |
| Profit/(loss) before tax                          | 4,113                                   | 3,840          | (1,109)                    | (565)          | (586)          | (1,088)        | -              | -              | 2,418          | 2,187          |
| Taxation  | (481)                                   | (502)          | -                          | (28)           | -              | -              | -              | -              | (481)          | (530)          |
| Profit for the financial period                   | 3,632                                   | 3,338          | (1,109)                    | (593)          | (586)          | (1,088)        | -              | -              | 1,937          | 1,657          |

# FURNIWEB INDUSTRIAL PRODUCTS BERHAD (541706-V)

## QUARTERLY REPORT - 30 June 2011

### A8. DIVIDENDS

There were no dividends being declared during the current quarter and financial year-to-date under review in relation to the financial year ending 31 December 2011.

A final dividend for the financial year ended 31 December 2010 was approved by the shareholders at the Company's Tenth Annual General Meeting held on 23 June 2011 and was paid on 22 July 2011.

Details of the final dividend are as follows:

|                                    | <b>Financial year ended</b> |                             |
|------------------------------------|-----------------------------|-----------------------------|
|                                    | <b>31 December<br/>2010</b> | <b>31 December<br/>2009</b> |
|                                    | RM'000                      | RM'000                      |
| 2.5 sen (2009: 3.0 sen) tax exempt | <u>2,263</u>                | <u>2,716</u>                |

### 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.

# FURNIWEB INDUSTRIAL PRODUCTS BERHAD (541706-V)

## QUARTERLY REPORT - 30 June 2011

### 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.

### A14. CAPITAL COMMITMENTS

|   | <b>At<br/>30 June<br/>2011<br/>RM'000</b> | <b>At<br/>31 December<br/>2010<br/>RM'000</b> |
|---|---|---|
| Property, plant and equipment:<br>Contracted but not provided for | <u>1,118</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<br/>30 June</b> |                        | <b>Cumulative period<br/>ended 30 June</b> |                        |
|----------------------------|----------------------------------|------------------------|--|------------------------|
|                            | <b>2011<br/>RM'000</b>           | <b>2010<br/>RM'000</b> | <b>2011<br/>RM'000</b>                     | <b>2010<br/>RM'000</b> |
| (i) Sale of goods          | 124                              | 92                     | 268  | 92                     |
| (ii) Purchase of materials | <u>-</u>                         | <u>-</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.

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

## **QUARTERLY REPORT - 30 June 2011**

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

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

The Group recorded revenue of RM18.2 million for the quarter under review, a reduction of 18.2% compared to the RM22.2 million reported in the corresponding quarter of the previous year. Revenue for the first half of the year under review was RM38.8 million, 10.2% lower than the RM43.1 million recorded in the same period of the preceding year. The reduction in revenue is primarily due to the mild slowdown observed in the global economy during the second quarter of 2011.

In line with the reduction in revenue, profit attributable to owners of the parent decreased from the RM1.4 million reported in the preceding year's corresponding quarter to RM1.2 million in the current quarter. However, profit attributable to equity holders for the first half of 2011 was RM1.9 million, an increase of RM0.2 million from the RM1.7 million announced for the first six months of the previous financial year. This is mainly due to the fact that the Ringgit strengthened by only 2% against the US Dollar during the first half as opposed to the 5% in the corresponding period of last year, resulting in lower foreign exchange losses.

Although the Group recorded a net profit of RM1.9 million during the first half, a RM2.1 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 RM0.2 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 30 June 2011 resulted in an exchange translation loss of RM2.1 million because of the depreciation of the Vietnamese Dong against Ringgit Malaysia by approximately 10%, i.e. the value of the Company's investment in the Vietnamese subsidiaries in Ringgit Malaysia terms has depreciated by 10% which translates to RM2.1 million in value terms.

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

The Group's revenue of RM18.2 million for the current quarter was RM2.4 million or 11.5% lower than the RM20.6 million reported for the preceding quarter.

Profit attributable to owners of the parent of RM1.2 million for the current quarter was however RM0.5 million higher than the RM0.7 million reported in

# FURNIWEB INDUSTRIAL PRODUCTS BERHAD (541706-V)

## QUARTERLY REPORT - 30 June 2011

the preceding quarter. This was largely due to the Ringgit weakening slightly against the US Dollar during the second quarter which resulted in foreign exchange gains of RM0.1 million as opposed to the strengthening of 2% during the preceding quarter which contributed to foreign exchange losses of RM0.6 million.

### B3. CURRENT YEAR PROSPECTS

As the Group has a fair amount of inter-company balances owing from its Vietnamese subsidiaries to their Malaysian counterparts in US Dollars, the strengthening of the Ringgit against the US Dollar will result in foreign exchange losses which will affect the Group's results.

Should the Ringgit remain at its current level and 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<br/>ended<br/>30 June 2011<br/>RM'000</b> | <b>Cumulative<br/>period ended<br/>30 June 2011<br/>RM'000</b> |
|-----------------------------------|--|--|
| Current year provision – Malaysia | 61   | 165  |
| Current year provision – Overseas | 128  | 316  |
|                                   | <u>189</u>   | <u>481</u>   |

The effective tax rate of the Group for the period ended 30 June 2011 was 19.9%. The percentage is lower than the statutory income tax rate as certain subsidiaries are enjoying tax incentives such as reinvestment allowance and double deductions. In addition, certain overseas subsidiaries are enjoying lower corporate tax rates.

### 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.

# FURNIWEB INDUSTRIAL PRODUCTS BERHAD (541706-V)

## QUARTERLY REPORT - 30 June 2011

### 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.

### B8. BORROWINGS

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

|   | <b>At<br/>30 June<br/>2011<br/>RM'000</b> | <b>At<br/>31 December<br/>2010<br/>RM'000</b> |
|---|---|---|
| Short term borrowings                                       | 6,173                                     | 7,347   |
| Long term borrowings  | 9,359                                     | 7,113   |
|   | <u>15,532</u>                             | <u>14,460</u>                                 |
| The borrowings are denominated in the following currencies: |   |   |
| - Ringgit Malaysia  | 8,069                                     | 8,771   |
| - United States Dollar                                      | 5,277                                     | 3,233   |
| - Vietnamese Dong   | 2,186                                     | 2,456   |
|   | <u>15,532</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.

# FURNIWEB INDUSTRIAL PRODUCTS BERHAD (541706-V)

## QUARTERLY REPORT - 30 June 2011

### 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.

### 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<br/>ended<br/>30 June 2011</b> | <b>Cumulative<br/>period ended<br/>30 June 2011</b> |
|---|---|---|
| Profit for the period (RM'000)                                | 1,239                                     | 1,937   |
| Less: Amount attributable to<br>minority interest (RM'000)    | (33)                                      | (30)  |
| Profit attributable to owners of the<br>parent (RM'000)       | <u>1,206</u>                              | <u>1,907</u>  |
| Weighted average number of<br>ordinary shares in issue ('000) | <u>90,533</u>                             | <u>90,533</u>                                       |
| Basic earnings per ordinary share<br>(sen)                    | <u>1.33</u>                               | <u>2.11</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.



**FURNIWEB INDUSTRIAL PRODUCTS BERHAD (541706-V)****QUARTERLY REPORT - 30 June 2011**

## B12. NET ASSETS PER SHARE

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<br/>30 June<br/>2011</b> | <b>At<br/>31 December<br/>2010</b> |
|--|--------------------------------|------------------------------------|
| Total equity attributable to owners of the parent (RM'000)     | 71,374                         | 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) | 0.7884                         | 0.7906                             |

## B13. REALISED AND UNREALISED PROFITS/LOSSES

|  | <b>At<br/>30 June<br/>2011<br/>RM'000</b> | <b>At<br/>31 December<br/>2010<br/>RM'000</b> |
|--|---|---|
| Total retained profits/(accumulated losses) of the Company and its subsidiaries: |   |   |
| - Realised   | 52,246                                    | 51,924  |
| - Unrealised   | (3,460)                                   | (4,858)                                       |
|  | 48,786                                    | 47,066  |
| Total share of retained profits from a jointly controlled entity:                |   |   |
| - Realised   | 1,022                                     | 701   |
| - Unrealised   | (2)                                       | -   |
|  | 49,806                                    | 47,767  |
| Less: Consolidation adjustments  | (16,216)                                  | (16,084)                                      |
| Retained earnings as per Consolidated Statement of Financial Position            | 33,590                                    | 31,683  |

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

**QUARTERLY REPORT - 30 June 2011**

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 30 July 2011.