

FURNIWEB INDUSTRIAL PRODUCTS BERHAD
(Company No: 541706-V)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2012 - UNAUDITED

| | Notes | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|-------|--|--|--|---|
| | | CURRENT YEAR QUARTER 30/06/12 RM'000 | PRECEDING YEAR CORRESPONDING QUARTER 30/06/11 RM'000 | CURRENT YEAR TO DATE 30/06/12 RM'000 | PRECEDING YEAR CORRESPONDING PERIOD 30/06/11 RM'000 |
| Revenue | A8 | 22,978 | 18,201 | 43,693 | 38,765 |
| Cost of sales | | (18,320) | (13,790) | (35,125) | (29,872) |
| Gross profit | | 4,658 | 4,411 | 8,568 | 8,893 |
| Other income | | 481 | 336 | 713 | 1,509 |
| Administrative expenses | | (2,618) | (2,420) | (5,149) | (4,929) |
| Distribution costs | | (771) | (787) | (1,386) | (1,256) |
| Other expenses | | 83 | (92) | (181) | (1,838) |
| Finance costs | | (213) | (261) | (440) | (520) |
| Interest income | | 80 | 86 | 132 | 135 |
| Share of profit of a jointly controlled entity (net of tax) | | 46 | 155 | 59 | 403 |
| Profit before taxation | A8 | 1,746 | 1,428 | 2,316 | 2,397 |
| Taxation | B5 | (255) | (189) | (448) | (460) |
| Profit for the financial period | A8 | 1,491 | 1,239 | 1,868 | 1,937 |
| Other comprehensive income | | | | | |
| Foreign currency translations | | 1,012 | 60 | 205 | (2,154) |
| Total comprehensive income | | 2,503 | 1,299 | 2,073 | (217) |
| Profit attributable to: | | | | | |
| Owners of the parent | | 1,481 | 1,206 | 1,866 | 1,907 |
| Non-controlling interest | | 10 | 33 | 2 | 30 |
| | | 1,491 | 1,239 | 1,868 | 1,937 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the parent | | 2,470 | 1,266 | 2,066 | (202) |
| Non-controlling interest | | 33 | 33 | 7 | (15) |
| | | 2,503 | 1,299 | 2,073 | (217) |
| Earnings per ordinary share attributable to owners of the parent (sen): | | | | | |
| Basic | B9 | 1.64 | 1.33 | 2.06 | 2.11 |

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

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(Company No: 541706-V)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER 2012

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012 - UNAUDITED

| | AS AT END OF CURRENT YEAR 30/06/12 RM'000 | AS AT PRECEDING FINANCIAL YEAR END 31/12/11 RM'000 |
|--|--|---|
| Notes | | |
| Non-current assets | | |
| Property, plant and equipment | 39,878 | 40,621 |
| Investment in a jointly controlled entity | 1,289 | 1,456 |
| Goodwill on consolidation | 1,924 | 1,924 |
| Total non-current assets | <u>43,091</u> | <u>44,001</u> |
| Current assets | | |
| Inventories | 20,445 | 19,982 |
| Trade and other receivables | 16,685 | 15,432 |
| Current tax assets | 496 | 608 |
| Short term investments | - | 112 |
| Deposits placed with financial institutions | 3,864 | 4,729 |
| Cash and bank balances | 14,824 | 14,052 |
| Total current assets | <u>56,314</u> | <u>54,915</u> |
| Total assets | <u>99,405</u> | <u>98,916</u> |
| Equity | | |
| Share capital | 45,371 | 45,371 |
| Share premium | 368 | 368 |
| Treasury shares | (87) | (87) |
| Exchange translation reserve | (6,850) | (7,050) |
| Retained earnings | 35,998 | 34,132 |
| Total attributable to owners of the parent | 74,800 | 72,734 |
| Non-controlling interest | 547 | 540 |
| Total equity | <u>75,347</u> | <u>73,274</u> |
| Non-current liabilities | | |
| Borrowings | 8,260 | 8,402 |
| Deferred tax liabilities | 1,258 | 1,258 |
| Total non-current liabilities | <u>9,518</u> | <u>9,660</u> |
| Current liabilities | | |
| Trade and other payables | 8,053 | 9,303 |
| Borrowings | 6,380 | 6,502 |
| Current tax payable | 107 | 177 |
| Total current liabilities | <u>14,540</u> | <u>15,982</u> |
| Total liabilities | <u>24,058</u> | <u>25,642</u> |
| Total equity and liabilities | <u>99,405</u> | <u>98,916</u> |
| Net assets per share attributable to owners of the parent (RM) | 0.8262 | 0.8034 |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

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FOR THE SECOND QUARTER 2012

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2012 - UNAUDITED

| Notes | Attributable to owners of the parent ----- | | | | | | | Non- controlling interest RM'000 | Total equity RM'000 |
|----------------------------------|--|----------------------------|--|------------------------------|--------------------------------|-----------------|------------|---|---------------------------|
| | Share capital RM'000 | Share premium RM'000 | Exchange translation reserve RM'000 | Treasury shares RM'000 | Retained earnings RM'000 | Total RM'000 | | | |
| Balance at 1 January 2011 | 45,371 | 368 | (5,759) | (87) | 31,683 | 71,576 | 446 | 72,022 | |
| Profit for the financial period | - | - | - | - | 1,907 | 1,907 | 30 | 1,937 | |
| Foreign currency translations | - | - | (2,109) | - | - | (2,109) | (45) | (2,154) | |
| Balance at 30 June 2011 | <u>45,371</u> | <u>368</u> | <u>(7,868)</u> | <u>(87)</u> | <u>33,590</u> | <u>71,374</u> | <u>431</u> | <u>71,805</u> | |
| Balance at 1 January 2012 | 45,371 | 368 | (7,050) | (87) | 34,132 | 72,734 | 540 | 73,274 | |
| Profit for the financial period | - | - | - | - | 1,866 | 1,866 | 2 | 1,868 | |
| Foreign currency translations | - | - | 200 | - | - | 200 | 5 | 205 | |
| Balance at 30 June 2012 | <u>45,371</u> | <u>368</u> | <u>(6,850)</u> | <u>(87)</u> | <u>35,998</u> | <u>74,800</u> | <u>547</u> | <u>75,347</u> | |

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2012 - UNAUDITED

| | 30/06/12 RM'000 | 30/06/11 RM'000 |
|---|----------------------|----------------------|
| Cash flows from operating activities | | |
| Profit before tax | 2,316 | 2,397 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 1,772 | 1,700 |
| Inventories written down | 228 | 301 |
| Finance costs | 440 | 520 |
| (Gain)/loss on disposal of property, plant and equipment | (1) | 3 |
| Interest income | (132) | (135) |
| Reversal of inventories written down | (23) | - |
| Share of profit of a jointly controlled entity | (59) | (403) |
| Operating profit/(loss) before changes in working capital | 4,541 | 4,383 |
| (Increase)/decrease in inventories | (668) | 212 |
| (Increase)/decrease in trade and other receivables | (964) | 766 |
| (Decrease)/increase in trade and other payables | (1,251) | (3,232) |
| Cash generated from/(used in) operations | 1,658 | 2,129 |
| Tax (paid)/refunded | (482) | (515) |
| Net cash from operating activities | <u>1,176</u> | <u>1,614</u> |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (1,081) | (3,161) |
| Repayment from/(advances to) jointly controlled entity | (289) | - |
| Dividends received from a jointly controlled entity | 238 | 185 |
| Interest received | 132 | 135 |
| Proceeds from disposal of property, plant and equipment | 135 | - |
| Withdrawal of pledged deposits | 137 | - |
| Disposal/(purchase) of short term investments | 112 | - |
| Net cash (used in)/from investing activities | <u>(616)</u> | <u>(2,841)</u> |
| Cash flows from financing activities | | |
| Interest paid | (440) | (520) |
| Drawdown of borrowings | 5,633 | 8,176 |
| Repayments of borrowings | (6,008) | (6,330) |
| Repayments of hire purchase creditors | (67) | (174) |
| Net cash used in financing activities | <u>(882)</u> | <u>1,152</u> |
| Net increase/(decrease) in cash and cash equivalents | (322) | (75) |
| Effects of exchange rate changes | 366 | (415) |
| Cash and cash equivalents at beginning of period | 18,644 | 18,284 |
| Cash and cash equivalents at end of period | <u>18,688</u> | <u>17,794</u> |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 14,824 | 10,853 |
| Deposits placed with financial institutions | 3,864 | 7,074 |
| | <u>18,688</u> | <u>17,927</u> |
| Deposit pledged | - | (133) |
| | <u>18,688</u> | <u>17,794</u> |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

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PART A: NOTES TO THE INTERIM FINANCIAL STATEMENTS

A1. BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with the reporting requirements of *MFRS 134 Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2011.

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 2011 and should be read in conjunction with the Company’s audited financial statements for the financial year ended 31 December 2011.

A2. AUDITORS’ REPORT ON PRECEDING YEAR’S FINANCIAL STATEMENTS

The report of the auditors to members of the Company dated 23 April 2012 on the audited financial statements for the financial year ended 31 December 2011 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.

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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.

A7. 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 2012.

A final dividend for the financial year ended 31 December 2011 was approved by the shareholders at the Company's Eleventh Annual General Meeting held on 25 June 2012 and was paid on 23 July 2012.

Details of the final dividend are as follows:

| | Financial year ended | |
|------------------------------------|-----------------------------|--------------------|
| | 31 December | 31 December |
| | 2011 | 2010 |
| | RM'000 | RM'000 |
| 2.5 sen (2010: 2.5 sen) tax exempt | <u>2,263</u> | <u>2,236</u> |

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A8. OPERATING SEGMENTS

Information on reportable segments is presented as follows:

| For the period ended 30 June | Webbing, yarn & furniture components | | Rubber strips & fabrics | | Others | | Eliminations | | Consolidated | |
|---------------------------------|---|----------------|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Revenue | | | | | | | | | | |
| Revenue from external customers | 33,393 | 29,765 | 10,251 | 8,959 | 49 | 41 | - | - | 43,693 | 38,765 |
| Inter-segment revenue | 357 | 932 | 55 | 51 | 9 | 15 | (421) | (998) | - | - |
| Total revenue | 33,750 | 30,697 | 10,306 | 9,010 | 58 | 56 | (421) | (998) | 43,693 | 38,765 |
| Results | | | | | | | | | | |
| Profit/(loss) before tax | 3,057 | 4,092 | (632) | (1,109) | (109) | (586) | - | - | 2,316 | 2,397 |
| Taxation | (448) | (460) | - | - | - | - | - | - | (448) | (460) |
| Profit for the financial period | 2,609 | 3,632 | (632) | (1,109) | (109) | (586) | - | - | 1,868 | 1,937 |

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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 RM49.2 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

There were no capital commitments outstanding not provided for in the financial statements as at the end of the quarter under review.

A15. MATERIAL RELATED PARTY TRANSACTIONS

| | Quarter ended 30 June | | Cumulative period ended 30 June | |
|---------------|----------------------------------|---------------|--|---------------|
| | 2012 | 2011 | 2012 | 2011 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Sale of goods | <u>223</u> | <u>124</u> | <u>338</u> | <u>268</u> |

The above sales transactions are 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. ANALYSIS OF PERFORMANCE

The Group's revenue of RM23.0 million for the second quarter of 2012 was RM4.8 million higher than the RM18.2 million reported in the corresponding quarter of the previous year. Revenue for the financial year-to-date under review was RM43.7 million, 12.7% higher than the RM38.8 million recorded in the same period of the preceding year.

The revenue of RM17.2 million from the webbings, yarn and furniture components segment for the current quarter was RM3.6 million higher than the RM13.6 million recorded in the corresponding quarter of 2011. The webbings, yarn and furniture components segment's revenue for the financial year-to-date of RM33.4 million was also RM3.6 million higher than the RM29.8 million recorded in the same period of last year. The increases are primarily due to higher revenue being recorded in the Group's export markets as well as the fact that the global economy experienced a mild slowdown during the second quarter of last year.

The rubber strips and fabrics segment recorded revenue of RM5.7 million during the quarter under review, an increase of RM1.2 million compared to the RM4.5 million recorded in the corresponding quarter of the previous year as export sales increased significantly. The increase in the current quarter also resulted in the revenue for the current financial year-to-date of RM10.3 million being RM1.3 million higher than the RM9.0 million recorded in the same period of 2011.

In line with the increase in revenue and a strong US Dollar, the Group's profit before taxation of RM1.7 million for the second quarter of 2012 was RM0.3 million higher than the RM1.4 million recorded in the corresponding quarter of the previous year. However, profit before taxation for the current financial year-to-date of RM2.3 million was marginally lower than the RM2.4 million reported for the first half of 2011. This is primarily due to increases in input costs, including increases in raw materials prices and labour costs, which affected the Group's gross margins.

Profit before taxation recorded by the webbings, yarn and furniture components segment during the quarter under review was RM1.6 million, RM0.1 million lower than the RM1.7 million reported for the second quarter of last year. The segment's profit before taxation of RM3.1 million for the financial year-to-date was also RM1.0 million lower than the RM4.1 million recorded for the same period of last year. The reductions are attributable to increases in input costs as well as the restructuring of the segment's pricing policy in order to maintain competitiveness.

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The rubber strips and fabrics segment reported a marginal profit for the quarter under review compared to the RM0.3 million loss recorded in the corresponding quarter of the previous year. Loss before taxation for the financial year-to-date of RM0.6 million was also RM0.5 million lower than the loss of RM1.1 million that was recorded during the same period of the previous financial year. Apart from the recording of a higher revenue during the current quarter, the relatively stable rubber prices also contributed to the improved performance.

B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

The Group's revenue of RM23.0 million for the current quarter was RM2.3 million or 10.9% higher than the RM20.7 million reported for the preceding quarter due to higher revenue being recorded in the Group's export markets.

Consistent with the increase in revenue, the Group's profit before taxation for the second quarter of RM1.7 million was also RM1.1 million higher than the RM0.6 million recorded in the previous quarter.

B3. PROSPECTS

We are cautiously optimistic that by staying focused behind our core business strategies and barring any unforeseen circumstances, the Group's performance for 2012 will be satisfactory.

As the Group derives a substantial amount of its revenue in US Dollars, any significant movement in the exchange rate between the Ringgit and the US Dollar will result in foreign exchange gains or losses which will affect the Group's results.

B4. PROFIT FORECAST

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

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B5. TAXATION

| | Quarter ended 30 June 2012 RM'000 | Cumulative period ended 30 June 2012 RM'000 |
|-----------------------------------|--|--|
| Current year provision – Malaysia | 114 | 169 |
| Current year provision – Overseas | 141 | 279 |
| | <u>255</u> | <u>448</u> |

The effective tax rate of the Group for the period ended 30 June 2012 was 19.3%. The percentage is lower than the statutory income tax rate as certain overseas subsidiary companies are enjoying lower corporate tax rates.

B6. BORROWINGS

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

| | At 30 June 2012 RM'000 | At 31 December 2011 RM'000 |
|-------------------------|---|---|
| Current liabilities | 6,380 | 6,502 |
| Non-current liabilities | 8,260 | 8,402 |
| | <u>14,640</u> | <u>14,904</u> |

The borrowings are denominated in the following currencies:

| | | |
|------------------------|---------------|---------------|
| - Ringgit Malaysia | 6,520 | 7,129 |
| - United States Dollar | 8,120 | 7,433 |
| - Vietnamese Dong | - | 342 |
| | <u>14,640</u> | <u>14,904</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.

FURNIWEB INDUSTRIAL PRODUCTS BERHAD (541706-V)**QUARTERLY REPORT - 30 June 2012****B7. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME**

| | Quarter ended 30 June | | Cumulative period ended 30 June | |
|---|----------------------------------|---------------|--|---------------|
| | 2012 | 2011 | 2012 | 2011 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Operating profit is arrived at after charging: | | | | |
| Interest expense | 213 | 261 | 440 | 520 |
| Depreciation and amortization | 862 | 829 | 1,772 | 1,700 |
| Inventories written down | 170 | 158 | 205 | 301 |
| Loss on foreign exchange | (100) | (10) | 158 | 1,735 |
| Loss on disposal of property, plant and equipment | 1 | 3 | 1 | 3 |
| and after crediting: | | | | |
| Interest income | 80 | 86 | 132 | 135 |
| Other income including investment income | 94 | 184 | 203 | 249 |
| Gain on disposal of property, plant and equipment | 2 | - | 2 | - |
| Gain on foreign exchange | <u>385</u> | <u>152</u> | <u>508</u> | <u>1,260</u> |

- (a) There were no gain or loss on disposal of quoted or unquoted investments during the current quarter and financial year-to-date under review.
- (b) There were no impairment of receivables or other assets during the current quarter and financial year-to-date under review.
- (c) There were no gain or loss on derivatives during the current quarter and financial year-to-date under review.
- (d) There were no exceptional items during the current quarter and financial year-to-date under review.

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B8. 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.

B9. 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.

| | Quarter ended 30 June 2012 | Cumulative period ended 30 June 2012 |
|--|---|---|
| Profit for the period (RM'000) | 1,491 | 1,868 |
| Amount attributable to non-controlling interest (RM'000) | (10) | (2) |
| Profit attributable to owners of the parent (RM'000) | <u>1,481</u> | <u>1,866</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>1.64</u> | <u>2.06</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.

| | At 30 June 2012 | At 31 December 2011 |
|--|--------------------------------|------------------------------------|
| Total equity attributable to owners of the parent (RM'000) | 74,800 | 72,734 |
| 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) | 0.8262 | 0.8034 |

B11. REALISED AND UNREALISED PROFITS/LOSSES

| | At 30 June 2012 RM'000 | At 31 December 2011 RM'000 |
|---|---|---|
| Total retained earnings of the Company and its subsidiaries: | | |
| - Realised | 52,751 | 52,209 |
| - Unrealised | (1,915) | (3,158) |
| | 50,836 | 49,051 |
| Total share of retained earnings from a jointly controlled entity: | | |
| - Realised | 1,175 | 1,356 |
| - Unrealised | 1 | (1) |
| | 52,012 | 50,406 |
| Less: Consolidation adjustments | (16,014) | (16,274) |
| Retained earnings as per Consolidated Statement of Financial Position | 35,998 | 34,132 |

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B12. 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 27 August 2012.