

FURNIWEB INDUSTRIAL PRODUCTS BERHAD
(Company No: 541706-V)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER 2013

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2013 - UNAUDITED

	Notes	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30/09/13 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/09/12 RM'000	CURRENT YEAR TO DATE 30/09/13 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/09/12 RM'000
Revenue	A9	19,603	21,792	57,930	65,485
Cost of sales		(15,283)	(17,190)	(45,577)	(52,315)
Gross profit		4,320	4,602	12,353	13,170
Other income		625	(96)	1,708	617
Administrative expenses		(2,573)	(2,481)	(7,718)	(7,630)
Distribution costs		(463)	(641)	(1,418)	(2,027)
Other expenses		(68)	(233)	(231)	(414)
Finance costs		(123)	(198)	(375)	(638)
Interest income		56	60	193	192
Share of profit of a jointly controlled entity (net of tax)		153	156	234	215
Profit before tax	A9	1,927	1,169	4,746	3,485
Tax expense	B5	(272)	(231)	(1,146)	(679)
Profit for the financial period	A9	1,655	938	3,600	2,806
Other comprehensive income					
Foreign currency translations		708	(1,032)	1,396	(827)
Total comprehensive income		2,363	(94)	4,996	1,979
Profit attributable to:					
Owners of the parent		1,679	998	3,686	2,864
Non-controlling interest		(24)	(60)	(86)	(58)
		1,655	938	3,600	2,806
Total comprehensive income attributable to:					
Owners of the parent		2,377	(12)	5,061	2,054
Non-controlling interest		(14)	(82)	(65)	(75)
		2,363	(94)	4,996	1,979
Earnings per ordinary share attributable to owners of the parent (sen):					
Basic	B9	1.86	1.10	4.07	3.16

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2013 - UNAUDITED

	AS AT END OF CURRENT YEAR 30/09/13 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31/12/12 RM'000
Notes		
Non-current assets		
Property, plant and equipment	36,415	38,046
Investment in a jointly controlled entity	1,590	1,390
Deferred tax assets	18	27
Goodwill on consolidation	1,924	1,924
Total non-current assets	<u>39,947</u>	<u>41,387</u>
Current assets		
Inventories	19,810	20,566
Trade and other receivables	14,089	14,710
Current tax assets	540	500
Deposits placed with financial institutions	3,171	6,188
Cash and bank balances	15,706	11,053
Total current assets	<u>53,316</u>	<u>53,017</u>
Total assets	<u>93,263</u>	<u>94,404</u>
Equity		
Share capital	45,371	45,371
Share premium	368	368
Treasury shares	(87)	(87)
Exchange translation differences	(6,554)	(7,929)
Retained earnings	36,926	35,956
Total attributable to owners of the parent	76,024	73,679
Non-controlling interests	383	448
Total equity	<u>76,407</u>	<u>74,127</u>
Non-current liabilities		
Borrowings	5,147	6,098
Deferred tax liabilities	1,239	1,239
Total non-current liabilities	<u>6,386</u>	<u>7,337</u>
Current liabilities		
Trade and other payables	6,759	8,546
Borrowings	3,295	3,896
Current tax liabilities	416	498
Total current liabilities	<u>10,470</u>	<u>12,940</u>
Total liabilities	<u>16,856</u>	<u>20,277</u>
Total equity and liabilities	<u>93,263</u>	<u>94,404</u>
Net assets per share attributable to owners of the parent (RM)	0.8397	0.8138

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2013 - UNAUDITED

Notes	Attributable to owners of the parent							Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Share translation differences RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000			
Balance at 1 January 2012	45,371	368	(7,050)	(87)	34,132	72,734	540	73,274	
Profit for the financial period	-	-	-	-	2,864	2,864	(58)	2,806	
Dividend paid	-	-	-	-	(2,263)	(2,263)	-	(2,263)	
Foreign currency translations	-	-	(810)	-	-	(810)	(17)	(827)	
Balance at 30 September 2012	45,371	368	(7,860)	(87)	34,733	72,525	465	72,990	
Balance at 1 January 2013	45,371	368	(7,929)	(87)	35,956	73,679	448	74,127	
Profit for the financial period	-	-	-	-	3,686	3,686	(86)	3,600	
Dividend paid	-	-	-	-	(2,716)	(2,716)	-	(2,716)	
Foreign currency translations	-	-	1,375	-	-	1,375	21	1,396	
Balance at 30 September 2013	45,371	368	(6,554)	(87)	36,926	76,024	383	76,407	

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 2012 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 SEPTEMBER 2013 - UNAUDITED

	30/09/13	30/09/12
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	4,746	3,485
Adjustments for:		
Depreciation of property, plant and equipment	2,625	2,783
Inventories written down	521	445
Finance costs	375	638
(Gain)/loss on disposal of property, plant and equipment	(7)	(1)
Interest income	(193)	(192)
Reversal of inventories written down	(184)	(23)
Share of profit of a jointly controlled entity	(234)	(215)
Operating profit/(loss) before changes in working capital	7,649	6,920
(Increase)/decrease in inventories	708	(22)
(Increase)/decrease in trade and other receivables	233	(641)
(Decrease)/increase in trade and other payables	(1,778)	(1,913)
Cash generated from/(used in) operations	6,812	4,344
Tax (paid)/refunded	(1,114)	(411)
Net cash from operating activities	5,698	3,933
Cash flows from investing activities		
Acquisition of property, plant and equipment	(393)	(1,415)
Repayment from/(advances to) jointly controlled entity	197	(194)
Dividends received from a jointly controlled entity	108	238
Interest received	193	192
Proceeds from disposal of property, plant and equipment	7	136
Withdrawal/(placement) of pledged deposits	-	137
Disposal/(purchase) of short term investments	-	112
Net cash (used in)/from investing activities	112	(794)
Cash flows from financing activities		
Dividends paid to owners of the parent	(2,716)	(2,263)
Interest paid	(375)	(638)
Drawdown of borrowings	3,682	8,882
Repayments of borrowings	(5,438)	(10,695)
Repayments of hire purchase creditors	(49)	(82)
Net cash used in financing activities	(4,896)	(4,796)
Net increase/(decrease) in cash and cash equivalents	914	(1,657)
Effects of exchange rate changes	722	(443)
Cash and cash equivalents at beginning of period	17,241	18,644
Cash and cash equivalents at end of period	18,877	16,544
Cash and cash equivalents comprise:		
Cash and bank balances	15,706	12,151
Deposits placed with financial institutions	3,171	4,393
	18,877	16,544

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 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 2012.

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 2012 and should be read in conjunction with the Company’s audited financial statements for the financial year ended 31 December 2012.

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

The report of the auditors to members of the Company dated 24 April 2013 on the audited financial statements for the financial year ended 31 December 2012 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 2013.

A final dividend for the financial year ended 31 December 2012 was approved by the shareholders at the Company's Twelfth Annual General Meeting held on 27 June 2013 and was paid on 23 July 2013.

Details of the final dividend are as follows:

	Financial year ended	
	31 December 2012	31 December 2011
	RM'000	RM'000
3.0 sen (2011: 2.5 sen) tax exempt	<u>2,716</u>	<u>2,236</u>

A8. 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.

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A9. OPERATING SEGMENTS

Information on reportable segments is presented as follows:

For the period ended 30 September	Webbing, yarn & furniture components		Rubber strips & fabrics		Others		Eliminations		Consolidated	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revenue										
Revenue from external customers	42,817	50,004	15,010	15,421	103	60	-	-	57,930	65,485
Inter-segment revenue	292	427	97	114	14	14	(403)	(555)	-	-
Total revenue	43,109	50,431	15,107	15,535	117	74	(403)	(555)	57,930	65,485
Results										
Profit/(loss) before tax	4,302	4,701	226	(862)	218	(354)	-	-	4,746	3,485
Taxation	(1,144)	(679)	-	-	(2)	-	-	-	(1,146)	(679)
Profit for the financial period	3,158	4,022	226	(862)	216	(354)	-	-	3,600	2,806

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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 RM49.7 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

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 September		Cumulative period ended 30 September	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Sale of goods	<u>271</u>	<u>197</u>	<u>775</u>	<u>535</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 RM19.6 million for the third quarter of 2013 was RM2.2 million lower than the RM21.8 million reported in the corresponding quarter of the previous year. Revenue for the financial year-to-date under review was RM57.9 million, RM7.6 million lower than the RM65.5 million recorded in the same period of the preceding year.

The revenue of RM14.1 million from the webbings, yarn and furniture components segment for the current quarter was RM2.5 million lower than the RM16.6 million recorded in the corresponding quarter of 2012. The segment's revenue for the financial year-to-date of RM42.8 million was also RM7.2 million lower than the RM50.0 million recorded in the same period of last year as the economies in the Group's key export markets, the US and Europe, continue to be slow and customers worldwide remain cautious in their purchasing policies.

The rubber strips and fabrics segment recorded revenue of RM5.4 million during the quarter under review, an increase of RM0.2 million compared to the RM5.2 million recorded in the corresponding quarter of the previous year as a result of encouraging rubber fabrics sales. The segment's revenue for the financial year-to-date of RM15.0 million was however RM0.4 million lower than the RM15.4 million recorded in the corresponding period of last year. Although revenue generated from rubber fabrics increased, the higher decline of revenue from rubber strips resulted in the overall segment reduction.

Despite the lower revenue, the Group's profit before tax of RM1.9 million for the third quarter of 2013 was RM0.7 million higher than the RM1.2 million recorded in corresponding quarter of the previous year. Profit before taxation for the current financial year-to-date of RM4.7 million was also RM1.2 million higher than the RM3.5 million reported for the corresponding period of 2012. This is mainly due to the improved performance of the rubber strips and fabrics segment as well as the stronger US Dollar against the Ringgit which resulted in net foreign exchange gains.

Profit before tax recorded by the webbings, yarn and furniture components segment during the quarter under review was RM1.5 million, RM0.1 million lower than the RM1.6 million reported for the corresponding quarter of last year. The segment's profit before taxation of RM4.3 million for the financial year-to-date was also RM0.4 million lower than the RM4.7 million recorded for the same period of last year. Apart from registering lower revenue, the soft global economy has also prompted competitors to reduce prices in order to sustain market shares. This has resulted in the Group having to reduce margins

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to remain competitive and maintain its market position. The impact is slightly lessened by the favourable US Dollar-Ringgit exchange rates which resulted in higher net foreign exchange gains.

The rubber strips and fabrics segment reported a profit before tax of RM0.3 million for the quarter under review compared to a loss of RM0.2 million recorded in the corresponding quarter of the previous year. The segment also recorded a profit before tax of RM0.2 million for the financial year-to-date against the loss of RM0.9 million recorded during the same period of the previous financial year. The relatively stable rubber prices and the encouraging rubber fabrics sales contributed to the improved performance in the segment.

B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

The Group's revenue of RM19.6 million for the current quarter was a marginal RM0.5 million higher than the RM19.1 million reported for the second quarter of 2013 as the global economy remain slow.

The Group's profit before tax for the current quarter of RM1.9 million was however RM0.2 million lower than the RM2.1 million recorded in the previous quarter mainly due to the difference in products mix and lower net foreign exchange gains.

B3. PROSPECTS

The sustained slowdown in the economies of the Group's major export markets in the US and Europe will continue to affect the Group's performance for 2013. While the recovery to the US economy is forecasted to gather pace from the middle of next year, the Eurozone is still expected to remain sluggish with only modest growth being predicted for 2014.

The Group will strive to protect its market position by staying focused behind our core business strategies and at the same time actively seek opportunities for growth. Barring any unforeseen circumstances, the Group's performance for 2013 is expected to be satisfactory.

We should also be mindful that 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 as the Group derives a substantial amount of its revenue in US Dollars.

B4. PROFIT FORECAST

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

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	Quarter ended 30 September 2013 RM'000	Cumulative period ended 30 September 2013 RM'000
Current year provision - Malaysia	170	523
Current year provision - Overseas	(15)	506
Under provision in prior year	117	117
	<u>272</u>	<u>1,146</u>

The effective tax rate of the Group for the period ended 30 June 2013 was 24.1%. 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 September 2013 RM'000	At 31 December 2012 RM'000
Current liabilities	3,295	3,896
Non-current liabilities	5,147	6,098
	<u>8,442</u>	<u>9,994</u>

The borrowings are denominated in the following currencies:

- Ringgit Malaysia	4,190	5,444
- United States Dollar	4,025	4,409
- Vietnamese Dong	227	141
	<u>8,442</u>	<u>9,994</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.

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	Quarter ended 30 September		Cumulative period ended 30 September	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Operating profit is arrived at after charging:				
Interest expense	123	198	375	638
Depreciation and amortization	922	1,011	2,625	2,783
Inventories written down	218	217	337	422
Loss on foreign exchange	68	252	224	410
and after crediting:				
Interest income	56	60	193	192
Other income	104	88	361	292
Gain on disposal of property, plant and equipment	7	-	7	1
Gain on foreign exchange	<u>514</u>	<u>(184)</u>	<u>1,340</u>	<u>324</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) Apart from the above, there were no impairment of 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.

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.

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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 September 2013	Cumulative period ended 30 September 2013
Profit for the period (RM'000)	1,655	3,600
Amount attributable to non- controlling interests (RM'000)	24	86
Profit attributable to owners of the parent (RM'000)	<u>1,679</u>	<u>3,686</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>1.86</u>	<u>4.07</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 September 2013	At 31 December 2012
Total equity attributable to owners of the parent (RM'000)	76,024	73,679
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)	0.8397	0.8138

B11. REALISED AND UNREALISED PROFITS/LOSSES

	At 30 September 2013 RM'000	At 31 December 2012 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	54,419	54,002
- Unrealised	(1,791)	(2,132)
	52,628	51,870
Total share of retained earnings from a jointly controlled entity:		
- Realised	1,457	1,333
- Unrealised	2	-
	54,087	53,203
Less: Consolidation adjustments	(17,161)	(17,247)
Retained earnings as per Consolidated Statement of Financial Position	36,926	35,956

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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 November 2013.