

FURNIWEB INDUSTRIAL PRODUCTS BERHAD
(Company No: 541706-V)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER 2014

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2014 - UNAUDITED

	Notes	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30-06-14 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30-06-13 RM'000	CURRENT YEAR TO DATE 30-06-14 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30-06-13 RM'000
Revenue	A10	20,544	19,145	39,589	38,327
Cost of sales		(16,159)	(14,645)	(31,768)	(30,294)
Gross profit		4,385	4,500	7,821	8,033
Other income		408	788	660	1,083
Administrative expenses		(4,467)	(2,571)	(7,687)	(5,145)
Distribution costs		(567)	(487)	(1,132)	(955)
Other expenses		(322)	(121)	(441)	(163)
Finance costs		(149)	(128)	(259)	(252)
Interest income		32	58	49	137
Share of profit of a jointly controlled entity (net of tax)		35	40	76	81
(Loss)/Profit before tax	A10	(645)	2,079	(913)	2,819
Tax expense	B5	(183)	(542)	(382)	(874)
(Loss)/Profit for the period	A10	(828)	1,537	(1,295)	1,945
Other comprehensive income					
Foreign currency translations		(565)	454	(789)	688
Total comprehensive income for the period		(1,393)	1,537	(2,084)	1,945
(Loss)/Profit attributable to:					
Owners of the parent		(769)	1,567	(1,220)	2,007
Non-controlling interest		(59)	(30)	(75)	(62)
		(828)	1,537	(1,295)	1,945
Total comprehensive income attributable to:					
Owners of the parent		(1,326)	2,015	(1,997)	2,684
Non-controlling interest		(67)	(24)	(87)	(51)
		(1,393)	1,991	(2,084)	2,633
Earnings per ordinary share attributable to owners of the parent (sen):					
Basic	B11	(0.85)	1.73	(1.35)	2.22

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014 - UNAUDITED

	AS AT END OF CURRENT YEAR 30-06-14 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31-12-13 RM'000
Notes		
Non-current assets		
Property, plant and equipment	34,618	35,992
Investment in a jointly controlled entity	1,497	1,635
Deferred tax assets	19	20
Goodwill on consolidation	1,233	1,233
Total non-current assets	<u>37,367</u>	<u>38,880</u>
Current assets		
Inventories	19,094	21,590
Trade and other receivables	32,793	25,648
Current tax assets	639	495
Short term investments	-	-
Deposits placed with financial institutions	1,895	1,184
Cash and bank balances	23,042	9,273
Total current assets	<u>77,463</u>	<u>58,190</u>
Total assets	<u>114,830</u>	<u>97,070</u>
Equity		
Share capital	45,371	45,371
Share premium	368	368
Treasury shares	(87)	(87)
Exchange translation differences	(7,236)	(6,459)
Retained earnings	36,766	37,986
Total attributable to owners of the parent	75,182	77,179
Non-controlling interests	427	414
Total equity	<u>75,609</u>	<u>77,593</u>
Non-current liabilities		
Borrowings	11,823	3,642
Deferred tax liabilities	1,076	1,144
Total non-current liabilities	<u>12,899</u>	<u>4,786</u>
Current liabilities		
Trade and other payables	20,414	8,723
Borrowings	5,617	5,617
Current tax liabilities	291	351
Total current liabilities	<u>26,322</u>	<u>14,691</u>
Total liabilities	<u>39,221</u>	<u>19,477</u>
Total equity and liabilities	<u>114,830</u>	<u>97,070</u>
Net assets per share attributable to owners of the parent (RM)	0.8304	0.8525

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 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 JUNE 2014 - 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	Exchange translation differences RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000		
Balance at 1 January 2013	45,371	368	(7,929)	(87)	35,956	73,679	448	74,127
Profit/ (Loss) for the financial period	-	-	-	-	2,007	2,007	(62)	1,945
Foreign currency translations	-	-	677	-	-	677	11	688
Balance at 30 June 2013	<u>45,371</u>	<u>368</u>	<u>(7,252)</u>	<u>(87)</u>	<u>37,963</u>	<u>76,363</u>	<u>397</u>	<u>76,760</u>
Balance at 1 January 2014	45,371	368	(6,459)	(87)	37,986	77,179	414	77,593
Increase of share capital in a subsidiary	-	-	-	-	-	-	100	100
Loss for the financial period	-	-	-	-	(1,220)	(1,220)	(75)	(1,295)
Foreign currency translations	-	-	(777)	-	-	(777)	(12)	(789)
Balance at 30 June 2014	<u>45,371</u>	<u>368</u>	<u>(7,236)</u>	<u>(87)</u>	<u>36,766</u>	<u>75,182</u>	<u>427</u>	<u>75,609</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 2013 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 2014 - UNAUDITED

	30-06-14	30-06-13
	RM'000	RM'000
Cash flows from operating activities		
(Loss)/Profit before tax	(913)	2,819
Adjustments for:		
Depreciation of property, plant and equipment	1,636	1,703
Inventories written down	316	301
Finance costs	259	252
Interest income	(49)	(137)
Reversal of inventories written down	(485)	(181)
Share of profit of a jointly controlled entity	(76)	(81)
Operating profit before changes in working capital	688	4,676
Decrease in inventories	2,289	891
(Increase)/decrease in trade and other receivables	(7,145)	491
Decrease in trade and other payables	(1,806)	(1,591)
Cash generated (used in)/from operations	(5,974)	4,467
Tax paid	(646)	(601)
Net cash (used in)/from operating activities	(6,620)	3,866
Cash flows from investing activities		
Acquisition of property, plant and equipment	(725)	(181)
Advances to jointly controlled entity	-	(155)
Dividends received from a jointly controlled entity	159	108
Interest received	49	137
Net cash used in investing activities	(517)	(91)
Cash flows from financing activities		
Interest paid	(259)	(252)
Drawdown of borrowings	13,617	2,494
Repayments of borrowings	(5,244)	(3,827)
Repayments of hire purchase creditors	(34)	(32)
Proceeds from rights issue with warrants	13,497	-
Net cash from/(used in) financing activities	21,577	(1,617)
Net increase in cash and cash equivalents	14,440	2,158
Effects of exchange rate changes	95	12
Cash and cash equivalents at beginning of period	10,402	17,241
Cash and cash equivalents at end of period	24,937	19,411
Cash and cash equivalents comprise:		
Cash and bank balances	23,042	14,976
Deposits placed with financial institutions	1,895	4,435
	24,937	19,411

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 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 2013.

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 2013 and should be read in conjunction with the Company’s audited financial statements for the financial year ended 31 December 2013.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013, except for the adoption of the following new Malaysian Financial Reporting Standards (“MFRSs”), Amendments to MFRSs and IC Interpretations which are applicable for the Group's financial period beginning 1 January 2014.

Amendments to MFRS 10	<i>Consolidated Financial Statements: Investment Entities</i>
Amendments to MFRS 12	<i>Disclosure of Interest in Other Entities: Investment Entities</i>
Amendments to MFRS 127	<i>Separate Financial Statements (2011): Investment Entities</i>
Amendments to MFRS 132	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to MFRS 136	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to MFRS 139	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
IC Interpretation 21	<i>Levies</i>

Adoption of the above MFRSs, Amendments to MFRSs and IC Interpretations did not have any effect on the financial performance, position or presentation of financial of the Group.

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A3. AUDITORS' REPORT ON PRECEDING YEAR'S FINANCIAL STATEMENTS

The report of the auditors to members of the Company dated 10 April 2014 on the audited financial statements for the financial year ended 31 December 2013 did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965.

A4. SEASONALITY OF OPERATIONS

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

A5. 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.

A6. 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.

A7. 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.

A8. DIVIDENDS PAID

No dividends were paid during the current quarter and financial year-to-date under review in relation to the financial year ending 31 December 2014.

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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.

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A10. 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue										
Revenue from external customers	27,366	28,687	11,875	9,579	348	61	-	-	39,589	38,327
Inter-segment revenue	501	282	167	64	9	9	(677)	(355)	-	-
Total revenue	<u>27,867</u>	<u>28,969</u>	<u>12,042</u>	<u>9,643</u>	<u>357</u>	<u>70</u>	<u>(677)</u>	<u>(355)</u>	<u>39,589</u>	<u>19,182</u>
Segment Results	1,004	2,750	53	(92)	(2,046)	80	-	-	(989)	2,738
Share of profit of a jointly controlled entity (net of tax)	76	81	-	-	-	-	-	-	76	81
(Loss)/Profit before tax	1,080	2,831	53	(92)	(2,046)	80	-	-	(913)	2,819
Taxation									(382)	(874)
(Loss)/Profit for the financial period									<u>(1,295)</u>	<u>1,945</u>

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A11. EVENTS AFTER BALANCE SHEET DATE

There were no material events subsequent to the end of the financial period except as disclosed in Note A12 (b) of Changes in Composition of the Group, Note B6 of the Status of Corporate Proposals and the following:

On 31 July 2014, Valencia Glade Sdn Bhd, a wholly-owned subsidiary of the Company, has accepted a Letter of Award from Arkitek Ding Poi Kooi on behalf of Gopeng Road Development Co. Sdn Bhd for the construction and completion of 4 Blocks 9-Storey Apartment Type A, 1 Block 9-Storey Apartment Type A1, 1-Storey Gymnasium and Swimming Pool and 1-Storey Common Facilities.

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 except for the following:

- a) On 28 January 2014, Premier De Muara Sdn Bhd (“PDMSB”) allotted and issued an additional nine (9) new ordinary shares to Premier Gesture Sdn Bhd (“PGSB”), and forty (40) new ordinary share to Almaharta Sdn Bhd (“ASB”) such that PGSB’s and ASB’s total equity interest in PDMSB equals to sixty percent (60%) and forty percent (40%) equity interests respectively. Consequently, PDMSB’s issued and paid up share capital of RM51.00 was increased to RM100.00 comprising one hundred (100) ordinary shares of RM1.00 each in accordance to shareholders’ agreement.
- b) On 7 July 2014, PGSB, a wholly-owned subsidiary of the Company had acquired two (2) ordinary share of RM1.00 each in Embun Tiasa Sdn Bhd (“ETSB”) representing the entire issued and paid-up capital in ETSB for a total cash consideration of RM2.00. ETSB was incorporated in Malaysia on 22 May 2014 with an authorized capital of RM400,000 divided into 400,000 ordinary shares of RM1.00 each, of which two (2) ordinary shares of RM1.00 each have been issued and are fully paid-up.

A13. CONTINGENT ASSETS

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

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A14. CONTINGENT LIABILITIES

As at the end of the quarter under review, the Company has provided corporate guarantees amounting to RM49.5 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.

A15. CAPITAL COMMITMENTS

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

A16. MATERIAL RELATED PARTY TRANSACTIONS

	Quarter ended 30 June		Cumulative period ended 30 June	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Sale of goods	<u>692</u>	<u>349</u>	<u>959</u>	<u>504</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 RM20.5 million for the second quarter of 2014 was RM1.4 million higher than the RM19.1 million reported in the corresponding quarter of the previous year. Revenue for the financial year-to-date under review was RM39.6 million, RM1.3 million higher than the RM38.3 million recorded in the same period of the preceding year.

The Group recorded a loss before tax of RM0.6 million in second quarter of 2014 as compared to profit before tax of RM2.1 million for second quarter of last year. Loss before taxation for the current financial year-to-date of RM0.9 million was RM3.7 million lower than RM2.8 million reported for the first half of 2013. This was mainly due to an increase in administrative expenses which was attributable to the expenses incurred pursuant to the Proposed Joint Venture and Proposed Diversification and costs for setting up the property development division of the Group during the quarter under review. Weakening US Dollar against Ringgit Malaysia also resulted in higher foreign exchange loss during the quarter.

a) Webbing, yarn & furniture components

The revenue of RM14.1 million from the webbings, yarn and furniture components segment for the current quarter was RM0.1 million higher than the RM14.0 million recorded in the corresponding quarter of 2013. The segment's revenue for the financial year-to-date of RM27.4 million was also RM1.3 million lower than the RM28.7 million recorded in the same period of last year.

Profit before tax recorded by the webbings, yarn and furniture components segment during the quarter under review was RM1.0 million, RM0.6 million lower than the RM1.6 million reported for the second quarter of last year. The segment's profit before taxation of RM1.0 million for the financial year-to-date was RM1.8 million lower than the RM2.8 million recorded for the same period of last year. Slower recovery of global economy has also prompted competitors to reduce prices in order to sustain market shares. This has resulted in the Group having to compete in prices for certain products in order to maintain its market position. The impact of unfavourable US Dollar-Ringgit Malaysia exchange rates also resulted in higher net foreign exchange losses.

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B1. ANALYSIS OF PERFORMANCE (CONT'D.)

b) Rubber strips & fabric

The rubber strips and fabrics segment recorded revenue of RM6.1 million in the quarter under review, which was RM1.0 million higher than the RM5.1 million recorded in the corresponding quarter of the previous year. The segment's revenue for the financial year-to-date of RM11.9 million was RM2.3 million higher than RM9.6 million recorded in the corresponding period of last year.

As a result, the rubber strips and fabrics segment reported a profit before tax of RM0.05 million for the quarter under review compared to the profit before tax of RM0.3 million recorded in the corresponding quarter of the previous year. Profit before tax for the financial year-to-date of RM0.05 million was RM0.15 higher than the loss of RM0.1 million recorded during the same period of the previous financial year. The relatively stable rubber prices and enhancement in production efficiency contributed to the improved performance in the segment.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER

The Group's revenue of RM20.5 million for the current quarter was RM1.5 million higher than the RM19.0 million reported for the first quarter of 2014 which was contributed by improved performance of rubber strips and fabric segment.

The Group's loss before tax for the current quarter of RM0.6 million was RM0.3 million higher than loss before tax RM0.3 million registered in the previous quarter. This is mainly due to additional corporate exercise expenses incurred during the quarter as well as weakening US Dollar against the Ringgit Malaysia which resulted in net foreign exchange loss.

B3. PROSPECTS

The emerging signs of recovery from advanced economies, including the US and Europe, are expected to have positive spillover effects for the global economy. However, the recent sanctions imposed on Russia by the West and vice versa will cause uncertainty and affect the pace of recovery. Any uncertainties in the fiscal and monetary adjustments by the US Federal Reserve in the tapering of their quantitative easing measures may scuttle the US economic recovery while the Eurozone will need to continue with measures to stabilize its economies and reduce its debts. The recent anti-China protests in Vietnam, which affect foreign investors in Vietnam, may have an impact on its economy and local demand. Demand for the Group's products may be affected by the slower recovery due to the above geopolitical tensions.

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B3. PROSPECTS (CONT'D.)

The Group is conscious that it will be operating in a very challenging business environment ahead. However, we stay focused behind our business strategies.

In view of the foregoing, the Group continues to remain vigilant. The recent rights issue with warrants exercise which was completed on 11 July 2014 has also strengthened the Group's financial resources.

B4. PROFIT FORECAST

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

B5. TAX EXPENSE

	Quarter ended 30 June		Cumulative period ended 30 June	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current year taxation:				
- Malaysia	34	160	83	160
- Overseas	216	172	366	172
Deferred taxation in respect of prior year:				
- Malaysia	(67)	-	(67)	-
	<u>183</u>	<u>332</u>	<u>382</u>	<u>332</u>

The effective tax rate of the Group for the period ended 30 June 2014 is higher than the statutory income tax rate as certain subsidiary companies experienced losses during the financial year-to-date under review.

B6. STATUS OF CORPORATE PROPOSALS

- a) On 31 December 2013, PGSB entered into a Shareholders' Agreement ("SA") with ASB to set out the terms governing their relationship as shareholders in a joint venture company, PDMSB in connection with the proposed development of a piece of leasehold land located at Wilayah Persekutuan Kuala Lumpur ("Development Land"). The entire issued and paid-up capital in PDMSB was held by PGSB as at 31 December 2013.

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B6. STATUS OF CORPORATE PROPOSALS (CONT'D.)

PDMSB, as developer, had also on the same date entered into joint venture agreement (“JVA”) with PGSB and ASB, as registered and beneficial owner of the Development Land, in relation to the proposed development of the Development Land (“Proposed Joint Venture”). PGSB and ASB agree to fix the Development Land’s value at RM125,000,000 (“Land Value”). ASB agrees to receive the Land Value on a deferred payment basis progressively subject to the fulfillment of the conditions precedent contained in the JVA by 31 March 2014.

In conjunction with the above, the Board proposes to diversify the existing core business of the Group to include property development (“Proposed Diversification”) and a refundable sum of RM10,000,000.00 was paid by PDMSB to ASB upon execution of the JVA.

On 21 March 2014, PGSB, ASB and PDMSB had, vide ASB’s letter dated 20 March 2014 (which was received by PGSB on 21 March 2014), agreed to extend the conditions precedent period of the JVA until 31 May 2014.

On 29 May 2014, PGSB, ASB and PDMSB (collectively referred to as the “Parties”) had entered into a supplemental agreement for the purpose of inter alia extending the Condition Period to enable the Parties to fulfill the Condition Precedent of the JVA in relation to the development of the Development Land. Pursuant to the terms of, the Supplemental Agreement, the Condition Period stated in the Clause 6.1 of the JVA has been extended to 30 June 2014. Further, the Parties had agreed to amend the provisions of Clauses 5.1.3(b) and 5.1.3 (c) of the JVA to include the words “subject to full settlement of all banking facilities by the Joint Venture Company with UOB Bank” at the end of the respective paragraphs. The amendments are to reflect the intention of the Parties that in the event the banking facility with UOB Bank is not settled by PDMSB upon the expiry of the 21st and/or 33rd month from the fulfilment of the Conditions Precedent, PGSB shall advance the Fourth Payment and/or Fifth & Final Payment (whichever applicable) or to procure the Company to advance the Fourth Payment and/or Fifth & Final Payment (whichever applicable) by the expiry of 21st and/or 33rd month (whichever applicable) to ASB. Save as stated above, all the terms and conditions of the JVA and SA shall continue to apply and remain to be in full force and effect.

On 30 June 2014, PGSB, ASB and PDMSB had, vide ASB’s letter dated 27 June 2014 agreed to extend the conditions precedent period of the JVA until 16 July 2014.

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B6. STATUS OF CORPORATE PROPOSALS (CONT'D.)

On 16 July 2014, PGSB, ASB and PDMSB had, vide ASB's letter dated 16 July 2014 agreed to further extend the conditions precedent period of the JVA until 31 July 2014.

On 30 July 2014, the conditions precedent as stated in Section 2.1.8 (c)(iii) of the circular to shareholders dated 31 March 2014 has been fulfilled. Accordingly, the JVA and thereby the Proposed Joint Venture and Proposed Diversification are deemed unconditional with effect from 30 July 2014.

- b) On 29 January 2014, the Company announced its proposal to undertake a renounceable rights issue of up to 54,445,440 Rights Shares at an issue price of RM0.55 per share, on the basis of three (3) Rights Shares for every five (5) existing shares of the Company held together with up to 54,445,440 Warrants on the basis of one (1) Warrant for every one (1) Rights Share subscribed for ("Proposed Rights Issue with Warrants"), on an entitlement date to be determined later.

The proceeds from the Proposed Rights Issue with Warrants are primarily intended but not limited to be utilized for the property development expenditure in respect of the Development Land and/or other future development of projects to be identified, factory expansion of Furnitech Components (Vietnam) Co. Ltd., and repayment of bank borrowings.

The Proposed Joint Venture and Proposed Diversification are inter-conditional upon each other. The proposed Rights Issue with Warrants is conditional upon the Project Joint Venture and Proposed Diversification, and will be implemented upon approval of shareholders of the Company for the Company for the resolutions pertaining to the Proposed Joint Venture, Proposed Diversification and Proposed Rights Issue with Warrants. The Proposed Joint Venture and Proposed Diversification are not conditional upon the Proposed Rights Issue with Warrants. In the event that the resolutions pertaining to the Proposed Rights Issue with Warrants is not carried through, the payments of the land value accordance to the Joint Venture Agreement ("JVA") will be funded via proceeds from sales of residential units of proposed development of the land, bank borrowings and/or internally generated funds.

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B6. STATUS OF CORPORATE PROPOSALS (CONT'D.)

On 20 February, the Company submitted the listing application to Bursa Malaysia Securities ("Bursa Securities") and was approved vide its letter dated 11 March 2014 for the following:

- i) admission to the Official List and the listing of and quotation for up to 54,445,440 Warrants to be issued pursuant to the Proposed Rights Issue;
- ii) listing of and quotation for up to 54,445,440 new Shares to be issued pursuant to the Proposed Rights Issue with Warrants; and
- iii) listing of and quotation for up to 54,445,440 new Shares to be issued pursuant to the exercise of Warrants.

The approval by Bursa Securities for the Proposed Rights Issue with Warrants is subject to the following conditions:

- i) the Company and the principal advisor, Kenanga Investment Bank Berhad ("KIBB") must fully comply with the relevant provisions under the Main Market Listing Requirements of Bursa Securities pertaining to the implementation of the Proposed Rights Issue with Warrants;
- ii) the Company and KIBB to inform Bursa Securities upon the completion of the Proposed Rights Issue with Warrants;
- iii) the Company and KIBB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue with Warrants is completed; and
- iv) the Company to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable.

The shareholders of the Company have approved the Proposed Rights Issue with Warrants, Proposed Joint Venture and Proposed Diversification at Extraordinary General Meeting on 14 April 2014.

As at 30 Jun 2014, the Company received part of the payment for the Rights Issue with Warrants of RM13,497,082.50.

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B6. STATUS OF CORPORATE PROPOSALS (CONT'D)

As at close of acceptance, excess application and payment for the Rights Issue with Warrants as at 5.00 p.m. on 1 July 2014, the Company received valid acceptances and excess applications for a total of 71,307,521 Rights Issue with Warrants. This represents a subscription level of approximately 131.27% of the total number of Rights Issue with Warrants available for acceptance under the Rights Issue with Warrants, representing an oversubscription of 31.27%. Accordingly, the excess Rights Issue with Warrants will be allocated in accordance with the basis as stated in the abridged prospectus dated 16 June 2014 in relation to the Proposed Rights Issue with Warrants.

On 11 July 2014, the Rights Issue with Warrants has been completed following the admission of 54,320,100 Warrants to the Official List of Bursa Malaysia Securities and the listing of and quotation for the 54,320,100 Rights Issue and 54,320,100 Warrants on the Main Market of Bursa Securities.

B7. BORROWINGS

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

	At 30 June 2014 RM'000	At 31 December 2013 RM'000
Current liabilities	5,617	5,617
Non-current liabilities	11,823	3,642
	<u>17,440</u>	<u>9,259</u>

The borrowings are denominated in the following currencies:

- Ringgit Malaysia	12,271	3,781
- United States Dollar	4,066	5,478
- Vietnamese Dong	1,103	-
	<u>17,440</u>	<u>9,259</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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B8. DIVIDENDS

The Board of Directors do not recommend any dividend for the quarter ended 30 June 2014.

B9. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

	Quarter ended 30 June		Cumulative period ended 30 June	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Operating (loss)/profit is arrived at after charging:				
Interest expense	149	128	259	252
Depreciation and amortization	701	816	1,636	1,703
Inventories written down	165	181	316	301
Loss on foreign exchange	263	117	382	156
and after crediting:				
Interest income	32	58	49	137
Other income	306	160	471	257
Gain on foreign exchange	102	628	189	826
Reversal of inventories written down	<u>122</u>	<u>-</u>	<u>485</u>	<u>181</u>

- (a) There were no gain or loss on disposal of quoted or unquoted investments or properties 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.

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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.

	Quarter ended 30 June		Cumulative period ended 30 June	
	2014	2013	2014	2013
(Loss)/Profit for the period (RM'000)	(828)	1,537	(1,295)	1,945
Amount attributable to non-controlling interests (RM'000)	<u>59</u>	<u>30</u>	<u>75</u>	<u>62</u>
(Loss)/Profit attributable to owners of the parent (RM'000)	<u>(769)</u>	<u>1,567</u>	<u>(1,220)</u>	<u>2,007</u>
Weighted average number of ordinary shares in issue ('000)	<u>90,533</u>	<u>90,533</u>	<u>90,533</u>	<u>90,533</u>
Basic earnings per ordinary share (sen)	<u>(0.85)</u>	<u>1.73</u>	<u>(1.35)</u>	<u>2.22</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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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.

	At 30 June 2014	At 31 December 2013
Total equity attributable to owners of the parent (RM'000)	<u>75,182</u>	<u>77,179</u>
Number of ordinary shares in issue ('000)	90,742	90,742
Number of shares repurchased ('000)	<u>(209)</u>	<u>(209)</u>
Number of ordinary shares in issue after share buy back ('000)	<u>90,533</u>	<u>90,533</u>
Net assets per share attributable to owners of the parent (RM)	<u>0.8304</u>	<u>0.8525</u>

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B13. REALISED AND UNREALISED PROFITS/LOSSES

	At 30 June 2014 RM'000	At 31 December 2013 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	54,608	55,546
- Unrealised	(1,914)	(1,640)
	<u>52,694</u>	<u>53,906</u>
Total share of retained earnings from a jointly controlled entity:		
- Realised	1,392	1,492
- Unrealised	14	(2)
	<u>54,300</u>	<u>55,396</u>
Less: Consolidation adjustments	(17,334)	(17,410)
Retained earnings as per Consolidated Statement of Financial Position	<u>36,766</u>	<u>37,986</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 18 August 2014.