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Email: furnnet@post1.com **Website:** <http://www.furniweb.com.my>



A TRADITION OF EXCELLENCE



Covered Elastic Yarn



Furniture Webbing



Industrial & Safety
Webbing



Seatbelt Webbing



Rubber Strips



Narrow Elastic Fabrics

C O N T E N T S

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NOTICE OF THIRD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of Furniweb Industrial Products Berhad will be held at Nakhoda 1, Level 3, Hotel Armada Petaling Jaya, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Monday, 28 June 2004 at 2.30 p.m.

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2003 together with the Directors' and Auditors' Reports thereon. *Resolution 1*
2. To approve a first and final tax exempt dividend of 1.5 sen per share for the financial year ended 31 December 2003. *Resolution 2*
3. To approve the payment of Directors' fees for the financial year ended 31 December 2003. *Resolution 3*
4. To re-elect the following Directors retiring in accordance with Article 91 of the Company's Articles of Association:-
 - i. Cheah Eng Chuan *Resolution 4*
 - ii. Lee Sim Hak *Resolution 5*
 - iii. Ong Lock Hoo *Resolution 6*
 - iv. Hamzah bin Mohd Salleh *Resolution 7*
 - v. Lim Chee Hoong *Resolution 8*
 - vi. Dato' Haji Johar bin Murat @ Murad *Resolution 9*
5. To re-appoint Messrs KPMG as the Company's Auditors and to authorise the Directors to fix their remuneration. *Resolution 10*
6. **Special Business**
To consider and if thought fit, to pass the following resolution, with or without modifications, as ordinary resolution of the Company:-

As Ordinary Resolution *Resolution 11*
- **Authority under Section 132D of the Companies Act, 1965 for the Directors to Issue Shares**

"THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue new shares in the Company at any time, at such price, upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the total issued share capital of the Company for the time being **AND THAT** the Directors be and are also empowered to obtain the approval from the Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued **AND THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."
7. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

NOTICE OF THIRD ANNUAL GENERAL MEETING

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT a first and final tax exempt dividend of 1.5 sen per share for the financial year ended 31 December 2003, if approved by the shareholders at the forthcoming Third Annual General Meeting, will be paid on 28 July 2004. The entitlement date for the payment is 12 July 2004.

A depositor shall qualify for entitlement only in respect of:-

- a) Shares transferred into the Depositor's Securities Accounts before 4.00 p.m. on 12 July 2004 in respect of ordinary transfer; and
- b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

YEOH CHONG KEAT (MIA 2736)
NGAU WING FATT (MIA 1613)
Secretaries
Kuala Lumpur

4 June 2004

Notes:

- (i) *A proxy may but need not be a Member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.*
- (ii) *To be valid, this form, duly completed must be deposited at the registered office of the Company situated at 49-1 The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*
- (iii) *A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
- (iv) *Where a member is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
- (v) *If the appointor is a corporation this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.*

EXPLANATORY NOTE UNDER SPECIAL BUSINESS

Resolution 11

This Ordinary Resolution 11 proposed under Agenda 6, if passed, will give the Directors of the Company, from the date of the forthcoming Annual General Meeting, authority to issue and allot ordinary shares from the unissued capital of the Company being for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company in a General Meeting, will expire at the next Annual General Meeting of the Company.

STATEMENT ACCOMPANYING notice of annual general meeting

1. NAMES OF INDIVIDUALS STANDING FOR ELECTION OR RE-ELECTION

(i)	Cheah Eng Chuan	(Resolution 4)
(ii)	Lee Sim Hak	(Resolution 5)
(iii)	Ong Lock Hoo	(Resolution 6)
(iv)	Hamzah bin Mohd Salleh	(Resolution 7)
(v)	Lim Chee Hoong	(Resolution 8)
(vi)	Dato' Haji Johar bin Murat @ Murad	(Resolution 9)

2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

As the Company was listed on the Second Board of the Bursa Malaysia Securities Berhad on 16 October 2003, there was only one (1) Board meeting held during the financial year ended 31 December 2003 after the listing of the Company. Details of attendance of Directors holding office during the financial year are as follows:-

NAMES OF DIRECTORS	TOTAL MEETING(S) ATTENDED BY DIRECTORS
Cheah Eng Chuan	1 / 1
Lee Sim Hak	1 / 1
Ong Lock Hoo	1 / 1
Hamzah bin Mohd Salleh	0 / 1
Lim Chee Hoong	1 / 1
Dato' Haji Johar bin Murat @ Murad	1 / 1

3. DATE, PLACE AND TIME OF THE THIRD ANNUAL GENERAL MEETING

The Third Annual General Meeting of the Company is scheduled to be held on Monday, 28 June 2004 at Nakhoda 1, Level 3, Hotel Armada Petaling Jaya, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan at 2.30 p.m.

4. FURTHER DETAILS OF INDIVIDUALS STANDING FOR RE-ELECTION AS DIRECTORS

Details of all directors, including those standing for re-election are set out in page 9 to page 10 while their securities holdings are set out in page 62 of this Annual Report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Cheah Eng Chuan

Chairman & Managing Director

Lee Sim Hak

Executive Director

Ong Lock Hoo

Executive Director

Hamzah bin Mohd Salleh

Non-Independent Non-Executive Director

Lim Chee Hoong

Independent Non-Executive Director

Dato' Haji Johar bin Murat @ Murad

Independent Non-Executive Director

COMPANY SECRETARIES

Yeoh Chong Keat (MIA 2736)

4 Jalan 12/19
46200 Petaling Jaya
Selangor Darul Ehsan

Ngau Wing Fatt (MIA 1613)

05-05-10
Kuchai Brem Park
Jalan Selesa Dua
58200 Kuala Lumpur

REGISTERED OFFICE

49-1, The Highway Centre
Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan
Tel : (603) 7783 8821
Fax : (603) 7783 8841

PRINCIPAL PLACE OF BUSINESS

Lot 208, Jalan Sungai Besi, Batu 12
Kampung Baru Balakong
43300 Cheras
Selangor Darul Ehsan

Mailing Address

G.P.O. Box 11279
50740 Kuala Lumpur
Tel : (603) 8961 1803 (Hunting Line)
(603) 8961 1814
(603) 8961 1704
Fax : (603) 8961 2826
(603) 5121 2772
E-mail : furnnet@post1.com
Website : <http://www.furniweb.com.my>

PRINCIPAL BANKERS

EON Bank Berhad (92351-V)

120 & 122, Jalan Mega Mendung
Kompleks Bandar, Batu 5
Jalan Klang Lama
58000 Kuala Lumpur

VID Public Bank

15A, Ben Chuong Duong St.
Dist. 1, Ho Chi Minh City, Vietnam

Malayan Banking Berhad

Suite 608, 63 Ly Thai To
Hanoi, Vietnam

Hong Leong Bank Berhad (97141-X)

Level 1, Wisma Hong Leong
18, Jalan Perak
50450 Kuala Lumpur

**Malaysian Industrial Development
Finance Berhad (MIDF)** (3755-M)

195A, Jalan Tun Razak
P.O. Box 12110
50939 Kuala Lumpur

AUDITORS

KPMG (Firm No. AF 0758)

Wisma KPMG
Jalan Dungun
Damansara Heights
50490 Kuala Lumpur

SHARE REGISTRARS

Bina Management (M) Sdn Bhd (50164-V)

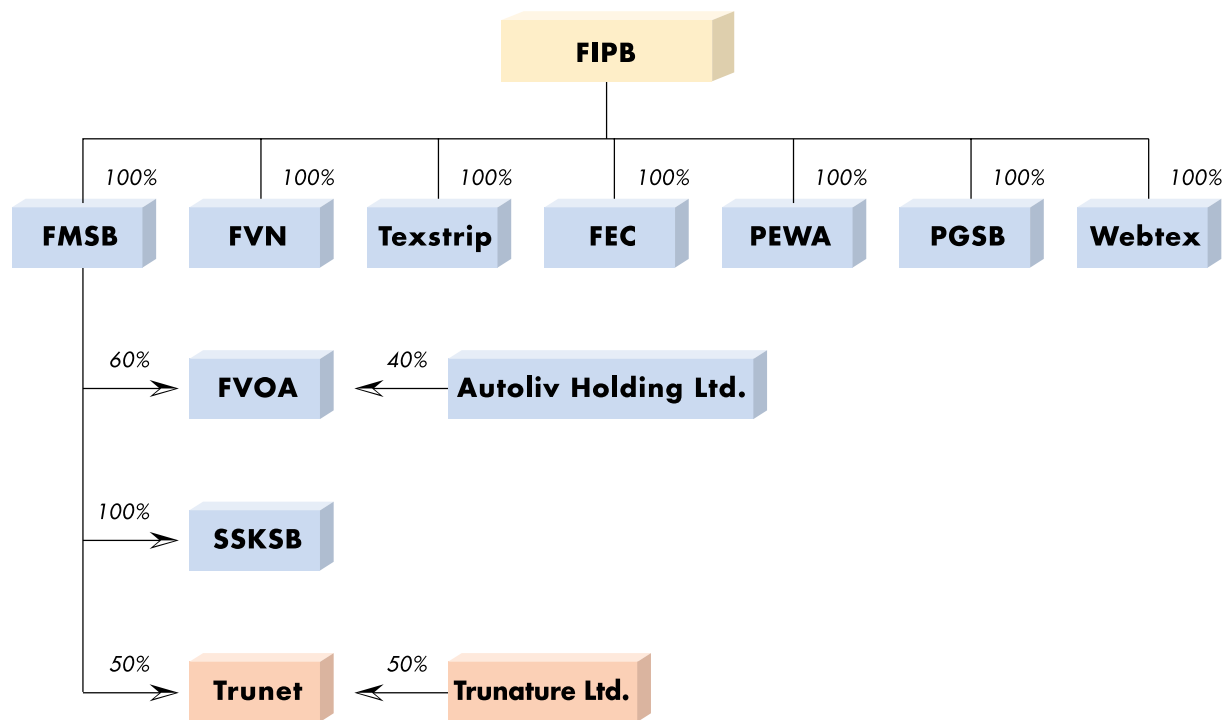
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan
Tel : (603) 7784 3922
Fax : (603) 7784 1988

STOCK EXCHANGE LISTING

Second Board of Bursa Malaysia Securities Berhad

Stock Code : 7168
Stock Name : FURNWEB

CORPORATE STRUCTURE



FIPB GROUP OF COMPANIES

FIPB : Furniweb Industrial Products Berhad (541706-V)

SUBSIDIARIES

FMSB : Furniweb Manufacturing Sdn Bhd (164933-H)
FVN : Furniweb Manufacturing (Vietnam) Co. Ltd.
Texstrip : Texstrip Manufacturing Sdn Bhd (171110-T)
FEC : First Elastic Corporation (M) Sdn Bhd (328928-W)
PEWA : Premier Elastic Webbing & Accessories (Vietnam) Co. Ltd.
PGSB : Premier Gesture Sdn Bhd (561566-V)
Webtex : Webtex Trading Sdn Bhd (131288-K)
FVOA : Furniweb-VOA Safety Webbing Sdn Bhd (391112-U)
SSKSB : Syarikat Sri Kepong Sdn Bhd (21161-X)

JOINTLY CONTROLLED ENTITY

Trunet : Trunet (Vietnam) Co. Ltd.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report and Audited Financial Statements of Furniweb Industrial Products Berhad for the financial year ended 31 December 2003.

CORPORATE DEVELOPMENTS

Pursuant to the corporate restructuring in conjunction with the listing exercise, the acquisition of the subsidiary companies was completed on 30 June 2003. The Company's entire issued and paid-up ordinary shares of RM40.0 million were successfully listed on the Second Board of the Bursa Malaysia Securities Berhad on 16 October 2003. Proceeds raised from the listing exercise of RM15.5 million is being allocated by the Company to finance the Group's factory expansion (RM3.5 million), purchase of machinery (RM3.0 million), payment of listing exercise expenses (RM1.8 million) and the balance is for working capital (RM7.2 million).

Utilization of these proceeds as at 31 March 2004 are as follows:-

Purchase of Machinery	RM0.2 million
Working Capital	RM3.9 million
Listing Expenses	RM1.6 million
	<hr/>
	RM5.7 million

FINANCIAL PERFORMANCE

The global economy in 2003 presented some uncertainties. The war in Iraq and the outbreak of the Severe Acute Respiratory Syndrome (SARS) in Asia further weakened the global economic environment. Despite these events, I am pleased to report that the Group recorded a commendable performance for the financial year ended 31 December 2003.



For the entire year ended 31 December 2003, as disclosed in Note 24 of the Financial Statements, the Group achieved a profit after tax of RM9.85 million and a turnover of RM62.81 million, an increase of 13.4% and 5.7% respectively in comparison to year 2002.

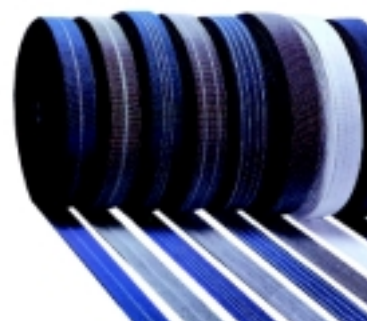
The profit after tax was within the profit forecast as stated in our prospectus, albeit on the lower side. This was due to higher raw material costs in the last quarter of 2003 and the longer gestation period of our new factory in Vietnam.

The Group's post acquisition profit attributable to shareholders which covers a six-month period ended 31 December 2003 is RM4.8 million and a turnover of RM32.5 million.

DIVIDENDS AND BONUS ISSUE

In keeping with the commitment contained in the Prospectus for the Initial Public Offer, the Board of Directors has recommended a first and final tax-exempt dividend of 1.5 sen per share for the year. This is subject to the approval of shareholders at the forthcoming Annual General Meeting.

Further to the above, we are proposing a Bonus Issue of 1 new share for every 8 existing shares held, subject to shareholders' approval.



CHAIRMAN'S STATEMENT

Barring unforeseen circumstances, we will continue to maintain a policy of dividend payment and bonus issue to reward shareholders and to enhance liquidity of the Company's shares in the market.

EMPLOYEES' SHARE OPTION SCHEME ('ESOS')

Recognizing the roles that employees play in fulfilling the Group's objectives, we will continue to observe the policy of providing staff with a rewarding, safe and motivating work environment. Staff training and development as well as internal promotions and performance assessments are linked to productivity and performance.

In line with the above, we propose to implement an Employees' Share Option Scheme (ESOS) as a means of rewarding and retaining employees whose services are vital to the operations and continued growth of the Furniweb Group.

ACHIEVEMENT

We believe that achieving total quality is critical to the success of our Group.

Driven by our Group's motto on product excellence, our management and staff are very focused and committed to implementing quality management practices for continuous improvements geared towards delivering consistent quality products and good service to meet and exceed the high expectations of our customers.

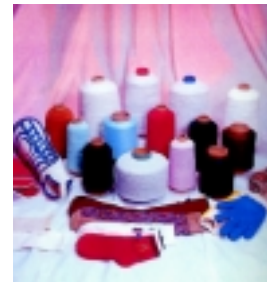
We are proud that 5 of our 7 manufacturing concerns have international quality certifications, 3 are accredited with ISO 9001 : 2000, our subsidiary in the automotive trade is accredited with QS-9000 and our subsidiary involved in the manufacturing of meat nettings for the Food Industry is accredited with the Hazard Analysis Critical Control Points ('HACCP') Management System Certification.



OUTLOOK

With the expectation that both the domestic and global economy will improve in 2004, the Company is poised to exploit all opportunities and challenges that may arise.

We shall continue to concentrate on our existing core business activities and further expansion and diversification shall be focused on downstream, upstream or other products which are synergistic to our existing ones.



Our products are already being exported to more than 30 countries around the world and with the implementation of the WTO Trade Agreement, which will further remove trade barriers and reduce import duties of member countries, we are confident of continuous growth for the range of products in our Group and will strive to achieve a revenue exceeding RM100 million by 2007.

APPRECIATION

On behalf of the Board of Directors, I wish to express my sincere thanks to the management and staff for their hard work, dedication and commitment. Their efforts have contributed to the successful listing of the Group and its commendable performance during trying times.



I also wish to record our gratitude and appreciation to our customers, suppliers, business associates, government agencies, bankers and shareholders for their continued support and confidence in the Group.

CHEAH ENG CHUAN
CHAIRMAN

DIRECTORS' PROFILE

From Left:

LIM CHEE HOONG
(Independent Non-Executive Director)

LAI KONG MENG
(Promoter)

CHEAH ENG CHUAN
(Chairman & Managing Director)

ONG LOCK HOO
(Executive Director)

HAMZAH BIN MOHD SALLEH
(Non-Independent Non-Executive Director)

CHAN KWONG POOI
(Promoter)

LEE SIM HAK
(Executive Director)

**DATO' HAJI JOHAR
BIN MURAT @ MURAD**
(Independent Non-Executive Director)



CHEAH ENG CHUAN, aged 57, a Malaysian, was appointed to the Board on 21 July 2003 as the Managing Director and is also a founding member of Furniweb Manufacturing Sdn Bhd ("FMSB"), Webtex Trading Sdn Bhd ("Webtex") and Texstrip Manufacturing Sdn Bhd ("Texstrip"), the wholly-owned subsidiaries of the Company. Mr. Cheah is currently a member of the Audit Committee and Remuneration Committee. He served in the Malaysian Army between 1965 and 1974 before he joined Oriental Elastic Industries Co., a company that manufactured covered elastic yarn, furniture webbing and seat belts, as a sales executive. He left Oriental Elastic Industries Sdn. Bhd. in 1980 as the Manager of the company. Thereafter, Mr. Cheah continued his career with Heveafil Sdn. Bhd., a company that manufactured rubber threads, as the Sales Manager and was placed in charge of the Asia Pacific region. In 1986, he joined Rubberflex Sdn Bhd, a rubber threads manufacturing company as a Sales Manager. Mr. Cheah later became the Managing Director of FMSB in 1987 and the Managing Director of Texstrip in 1988. Overall, he has accumulated 26 years of experience in the rubber threads and furniture webbing industry. He is currently responsible for the overall Group's corporate strategy, finance and business development. Mr. Cheah is a substantial shareholder of the Company by virtue of him holding more than 15% equity interest in Solid Rating Sdn Bhd, the substantial shareholder of the Company. Save as disclosed above, Mr. Cheah does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has had no convictions for any offences within the past 10 years.

LEE SIM HAK, aged 50, a Malaysian, was appointed to the Board on 21 July 2003 as the Executive Director and is also a founding member of FMSB and Webtex. Mr. Lee started his career with a textile company in Singapore for 3 years as a Technical Supervisor. He subsequently went to further his studies at University of Feng Chia, Taiwan and obtained a diploma in textile engineering in 1976. He was with Oriental Elastic Industries Co. as the Production Manager for 5 years prior to joining FMSB in 1983. Mr. Lee brings with him 25 years of experience in the textile and furniture webbing industry. He is currently responsible for the Group's overall production. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has had no convictions for any offences within the past 10 years.

ONG LOCK HOO, aged 52, a Malaysian, was appointed to the Board on 21 July 2003 as the Executive Director. He is also a founding member of FMSB and Webtex. Mr. Ong worked with a sewing thread manufacturing company as a Sales Executive from 1976 to 1977. Subsequently, he joined Oriental Elastic Industries Co. as a Sales Executive before joining FMSB. Mr. Ong has more than 20 years experience in the textile and rubber industry. Currently, he is in charge of the Group's overall sales and marketing strategy. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has had no convictions for any offences within the past 10 years.

DIRECTORS' PROFILE

HAMZAH BIN MOHD SALLEH, aged 56, a Malaysian, was appointed to the Board on 21 July 2003 as a Non-Executive Director. Encik Hamzah is currently the Chairman of the Remuneration Committee and a member of the Nomination Committee. He graduated with a Diploma in Management from the Malaysian Institute of Management and a Master's degree in Business Administration from the University of Bath, United Kingdom. He was an Audit Assistant with PricewaterhouseCoopers (*formerly known as Price Waterhouse & Co*) from 1969 to 1975 and then worked for 5 years as Finance and Administration Manager in Pillar Naco Malaysia Sdn Bhd., which deals with architectural metal fabrication. From 1980 to 1993, he held various senior managerial positions in Pernas Sime Darby Group and the Sime Darby Group of companies. Presently, he is the Chief Executive Officer of Spanco Sdn Bhd, a fleet management specialist. He has been a Director of PDZ Holdings Berhad since 1996, a company listed on the Bursa Malaysia Securities Berhad. In addition, he is a director of various other private companies. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has had no convictions for any offences within the past 10 years.

DATO' HAJI JOHAR BIN MURAT @ MURAD, aged 57, a Malaysian, was appointed to the Board on 21 July 2003 as a Non-Executive Director. Dato' Haji Johar is currently the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee. He graduated with a Bachelor's Degree in Malay Studies from University of Malaya in 1971.

Since 1971, Dato' Haji Johar worked in various government bodies, such as Kementerian Sains, Teknologi and Alam Sekitar, Treasury Department of the Ministry of Finance, Kementerian Perusahaan Awam (now known as Kementerian Pembangunan Usahawan) and Economic Planning Unit.

During Dato' Haji Johar's tenure of service in the Treasury Department (1996-2000), he was the director of the following organizations:-

- i) Yayasan Tun Razak
- ii) Perbadanan Kemajuan Negeri Selangor
- iii) Majlis Sukan Negara
- iv) Lembaga Pembangunan Labuan
- v) Syarikat MKIC Malaysia
- vi) Jawatankuasa Pengurusan Hutan Serantau
- vii) Majlis Penyelidikan dan Kemajuan Sains Negara (MPKSN)

When he was the Timbalan Ketua Setiausaha (Operasi) of Kementerian Sains, Teknologi and Alam Sekitar (2000 – 3 July 2003), Dato' Haji Johar was also an Alternate Director of Lembaga Pengarah Technology Park Malaysia, MIMOS Berhad (MIMOS), SIRIM Berhad (SIRIM), Malaysia Agriculture Research Institute (MARDI), Malaysian Technology Development Corporation, Composite Technology Research Malaysia, Majlis Rekabentuk Malaysia and Pusat Sains Negara. He is also the Chairman of Audit Committee of MIMOS Berhad and member of the Board of Tender for MIMOS and SIRIM. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has had no convictions for any offences within the past 10 years.

LIM CHEE HOONG, aged 43, a Malaysian, was appointed to the Board on 21 July 2003 as the Non-Executive Director. Mr. Lim is currently the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee. He is a member of the Malaysian Institute of Certified Public Accountants as well as Malaysian Institute of Accountants. Presently, Mr. Lim is a practicing accountant in Malaysia under his own firm, Lim Tang & Partners. He is also a partner in LLT & Partners. Prior to that, Mr. Lim was attached to various firms and has more than 15 years working experience in the accounting area. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has had no convictions for any offences within the past 10 years.

CORPORATE GOVERNANCE STATEMENT

BOARD OF DIRECTORS

The Board of Furniweb Industrial Products Berhad is fully committed to the principles and best practices of the Malaysian Code of Corporate Governance. The Board constantly strives to ensure that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Company.

BOARD BALANCE

The Board currently comprises three executive directors and three non-executives, of which two are independent. The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations and business development. The Board composition represents members with a broad range of experience, skill and knowledge necessary to lead the group's operations. The complement of the Non-Executives Directors provide the Board with a good mix of industry-specific knowledge.

Although the role of Chairman is undertaken by the Group Managing Director, there is a strong independent element on the Board as there are an adequate number of independent directors. The Independent Directors provide the necessary independent perspective and rigour in the formulation of strategies, deliberation of issue and implementation of major undertakings to ensure that the interest of not only the Group, but also stakeholders and the public in general are represented. This mixture of experience and expertise is deemed necessary in light of the increasing challenging economic and operating environment in which the Group operates.

BOARD MEETINGS

Board meetings are scheduled every quarter and additional meetings are convened as and when necessary. As the Company was listed on the Second Board of the Bursa Malaysia Securities Berhad on 16 October 2003, there was only one (1) Board meeting held during the financial year ended 31 December 2003 after the listing of the Company. Details of attendance of Directors holding office during the financial year are as follows:-

Directors	No. of Meetings Attended
Cheah Eng Chuan	1/1
Lee Sim Hak	1/1
Ong Lock Hoo	1/1
Hamzah bin Mohd Salleh	0/1
Lim Chee Hoong	1/1
Dato' Haji Johar bin Murat @ Murad	1/1

SUPPLY OF INFORMATION

Board papers providing updates on operations, financial and corporate proposals and minutes of the Board Committees are circulated prior to each meeting. This is to give the Directors sufficient time to enable them to participate in the deliberations of the issues to be raised at the meetings and to make informed decisions.

The Board has set up several Board Committees as well as Management Committee to assist the Board in the discharge of its duties effectively.

i) Audit Committee

Details are set out on pages 15 to 18 of this annual report.

ii) Remuneration Committee

The Remuneration Committee, comprising mainly non-executive directors, is authorised to review, assess and recommend to the Board the remuneration of the Executive Directors in all forms, using other independent professional advice as necessary.

iii) Nomination Committee

The Nomination Committee comprises entirely non-executive directors, the majority of whom are independent. The Nomination Committee is authorised to identify and recommend the appointment of new directors to the Board. However, decisions on the appointment of new directors are made by the Board of the Company.

CORPORATE GOVERNANCE STATEMENT

RE-ELECTION OF DIRECTORS

In accordance with the Articles of Association of the Company, the newly appointed Directors are subject to retirement and re-election by shareholders of the Company at the immediate Annual General Meeting after their appointment. The Articles also provide that one-third of all the remaining Directors be subject to re-election by rotation at each Annual General Meeting.

DIRECTORS' TRAINING

All Directors of the Company are required to attend the Mandatory Accreditation Programme and Continuing Education Programme in compliance with Bursa Malaysia Securities Berhad's requirement. The Directors will attend other appropriate training programmes to equip themselves with the knowledge to discharge their duties more effectively and to keep abreast of developments in the marketplace.

DIRECTORS' REMUNERATION

Details are set out on page 20 of this annual report.

FINANCIAL REPORTING

The Board aims to present a balanced and understandable assessment of the Group's financial position and prospects in all their reports to shareholders, investors and regulatory authorities. Such assessment is achieved primarily through the quarterly financial results and the Annual Report. The quarterly financial results are reviewed by the Audit Committee and approved by the Board before being released to the Bursa Malaysia Securities Berhad.

The Directors are also responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group, and for ensuring that the financial statements comply with the Companies Act, 1965 and applicable approved Accounting Standards in Malaysia.

INTERNAL CONTROLS

The Directors acknowledge their responsibility to maintain a sound system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. This system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's corporate objectives, as well as to safeguard shareholders' investments and the Group's assets. The Board seeks regular assurance on the continuity and effectiveness of the internal control system through independent review by the internal and external auditors.

RELATIONSHIP WITH EXTERNAL AUDITORS

The Group maintains a transparent relationship with the external auditors in seeking their advice and ensuring compliance with the approved accounting standards and statutory requirements. The external auditors are required to brief the Audit Committee on specific issues that require their attention. The duties and functions of the Audit Committee in relation to the external auditors are set out on pages 15 to 18 of this Annual Report.

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of timely dissemination of information to shareholders and investors to ensure that they are well informed of all major developments of the Company and the Group. Such information is communicated to shareholders and investors through various disclosures and announcements to the Bursa Malaysia Securities Berhad, including the quarterly financial results, annual reports and where appropriate, circulars and press releases.

The Annual General Meeting represents the principal forum for dialogue and interaction with shareholders. At the Annual General Meeting, the Board encourages and welcomes participation from shareholders to ask questions regarding the resolutions being proposed at the meeting and also other matters pertaining to the business activities of the Group. The Directors are present during these meetings to respond to questions raised by shareholders.

CORPORATE GOVERNANCE STATEMENT

Apart from the mandatory announcements through the Bursa Malaysia Securities Berhad, the Company also provides the Group's corporate, financial and non-financial information at its website: www.furniweb.com.my.

STATEMENT ON THE EXTENT OF COMPLIANCE WITH BEST PRACTICES

The Board is of the opinion that the Group has addressed and is in compliance with the best practices recommended in Part 2 of the Malaysian Code of Corporate Governance.

DIRECTORS' RESPONSIBILITY ON ANNUAL AUDITED FINANCIAL STATEMENTS

The Board is responsible for ensuring that the accounting records are properly kept and disclosed with reasonable accuracy at any time the financial position of the Group, as required by the Companies Act 1965.

In respect of the preparation of the audited financial statements for the financial year ended 31 December 2003, the Board is satisfied that the Group has:-

- Complied with the approved accounting standards
- Consistently applied the appropriate accounting policies
- Made reasonable and prudent judgments and estimates
- Prepared the financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

OTHER INFORMATION

I. Share Buy-back

The Company has not been authorized by shareholders to purchase its own shares and has not purchased any of its own shares during the financial year.

II. Options, Warrants or Convertible Securities

The Company has not granted any options to any parties to take up unissued shares in the Company.

III. Sanctions and/or Penalties Imposed

There were no sanctions and/or penalties being imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

IV. Non-audit Fees Paid to External Auditors

The amount of non-audit fees paid and payable to the external auditors by the Group for the financial year ended 31 December 2003 was RM317,000, which was largely for professional services rendered in respect of the Group listing exercise.

V. Variation in Results

A profit forecast for the financial year ended 31 December 2003 was stated in the Prospectus of the Company dated 17 September 2003 for the Listing of the Company's shares on the Second Board of the Bursa Malaysia Securities Berhad. The Group results did not differ more than 10% from the forecasted figures stated in the Prospectus.

VI. Material Contract Involving Directors and Major Shareholders

During the financial year under review, the Group did not enter into any material contracts involving Directors' and major shareholders' interest.

INTERNAL CONTROL STATEMENT

BOARD RESPONSIBILITY

In compliance with the Code of Corporate Governance, the Board acknowledges its overall responsibility for the establishment and maintenance of an internal control system for the Group which is aimed primarily to safeguard the Group's assets and ensuring the reliability and integrity of information. In discharging its duties, the Board have taken steps to improve the internal control system. Such steps taken include setting up of Group Management Committee, outsourcing of the internal audit functions and better segregation of duties. The Board is mindful of the limitations inherent in its internal control system as it only provides reasonable and not absolute assurance against material misstatements, losses, fraud or breaches of regulations.

RISK MANAGEMENT

The Board has recently set up a management committee to manage the risks within the Group. This committee together with the internal auditor shall undertake preliminary assessment of the key business risks. They shall make recommendations to the Board on the mitigating measures to be taken.

Performance reports are regularly provided to Directors and discussed at Board meetings. These reports cover areas such as quarterly financial review, business development and other corporate matters.

Comprehensive management accounts and reports are prepared monthly for effective monitoring and decision-making.

Regular scheduled management meetings are held and attended by all Executive Directors and Managers to discuss and report on operational performance, business strategy, key operating statistics, legal and regulatory matters of each business unit where plans and targets are established for business planning and budgeting process.

The Board is of considered opinion that with increased diligence in risk management, the Group will be able to create significant opportunities of profit and growth and turning adverse situations into favorable ones.

INTERNAL AUDIT

In addressing the importance of an effective internal control system, the Board has decided to outsource the internal audit function of the Group. An independent management consultancy firm was appointed to assist the Group in the internal audit function, risk management and corporate governance activities.

The Board understands that whilst the responsibility of ensuring the proper implementation of the appropriate control system is delegated to the management, the ultimate responsibility lies with it.

RELATIONSHIP WITH THE AUDITORS

The Board has appropriately established a formal and transparent relationship with the Company's auditors. The role of the Audit Committee in relation to the external auditors may be found in the Audit Committee Report as set out on pages 15 to 18 of this Annual Report.

CONCLUSION

The Board is of the opinion that the current system of internal control that has been in place for the year under review and up to the date of annual report is adequate. However in view of the steps taken by the Board, there will be an ongoing process to identify, evaluate and mitigate risks since all the control procedures are reviewed regularly to ensure the effectiveness and adequacy of the systems.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of Furniweb Industrial Products Berhad is pleased to present the following report for the financial year ended 31 December 2003.

COMPOSITION OF AUDIT COMMITTEE AND ATTENDANCE RECORD

The Audit Committee consists of 3 members, the majority of whom are Independent Non-Executive Directors. The Chairman of the Audit Committee is also an Independent Non-Executive Director and a member of the Malaysian Institute of Accountants. No alternate director is appointed as a member.

The Committee met for the first time on 21 November 2003 after the listing of the Company on the Second Board of the Bursa Malaysia Securities Berhad on 16 October 2003. All members were present.

DIRECTOR	POSITION
Mr Lim Chee Hoong	Chairman of Audit Committee & Independent Non-Executive Director
Mr Jimmy Cheah Eng Chuan	Managing Director
Dato' Haji Johar bin Murat @ Murad	Independent Non-Executive Director

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Constitution

The Board of Directors has constituted and established an Audit Committee of the Board to be known as the Audit Committee.

Membership

- The Committee shall be appointed by the Board of Directors from amongst the directors of the Company and shall comprise of at least three (3) members, a majority of whom must be independent.
- At least one member of the Committee:-
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-
 - ∅ he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - ∅ he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - (iii) fulfils such other requirements as prescribed by the Exchange.
- No alternate director shall be appointed as a member of the Committee.
- The members of the Committee shall elect a Chairman from among their number who shall be an Independent Non-Executive Director.
- The Company Secretary or such other persons authorised by the Board of Directors shall act as the Secretary to the Committee.
- If a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall, within three (3) months from the date of that event, appoint such number of new member(s) as may be required to make up the minimum number of three (3) members.
- The term of office and performance of the members of the Committee shall be reviewed by the Board of Directors at least once every three (3) years to determine whether the members have carried out their duties in accordance with their terms of reference.

REPORT OF THE AUDIT COMMITTEE

Meetings and Minutes

- The Committee shall meet at least four (4) times in a financial year, although additional meetings may be called at any time at the Committee Chairman's discretion.
- The quorum for the meeting of the Committee shall consist of not less than two (2) members, a majority of whom must be independent Directors.
- Other than in circumstances which the Chairman of the Committee considers inappropriate, Group Financial Controller, representative of Internal Auditor and/or the external auditors will normally attend any meeting of the Committee to make known their views on any matter under consideration by the Committee or which in their opinion, should be brought to the attention of the Committee. Other Board members, employees and external professional advisers shall attend any particular meetings upon invitation by the Committee.
- At least once in a financial year, the Committee shall meet with the external auditors without the Executive Directors being present.
- The Committee shall report to the Board and its minutes tabled and noted by the Board of Directors. The books containing the minutes of proceedings of any meeting of the Committee shall be kept by the Company at the registered office or the principal office of the Company, and shall be open for inspection of any member of the Committee and the Board of Directors.

Authority

- The Committee is authorised by the Board to investigate any matter within the Committee's terms of reference. It shall have full and unrestricted access to any information pertaining to the Group and shall have the resources it requires to perform its duties. All employees of the Group are required to comply with the requests made by the Committee.
- The Committee is authorised by the Board to obtain outside legal or external independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, the expenses of which will be borne by the Company.
- The Committee shall have direct communication channels and be able to convene meetings with the external auditors without the presence of the executive members of the Committee, whenever deemed necessary.
- The Internal Auditor reports directly to the Committee and shall have direct access to the Chairman of the Committee on all matters of control and audit. All proposals by management regarding the appointment, transfer and removal of senior staff members of the Internal Audit of the Group shall require prior approval of the Committee. The Committee is also authorised by the Board to obtain information on any resignation of internal audit staff members and provide the staff member an opportunity to submit his reasons for resigning.

Functions and Duties

The Committee shall, amongst others, discharge the following functions:-

1. Review the following and report the same to the Board of Directors of the Company:-
 - (a) with the external auditors, the audit plan, the nature and scope of work and ascertain that it will meet the needs of the Board, the shareholders and regulatory authorities;
 - (b) with the external auditors, their evaluation of the quality and effectiveness of entire accounting system, the adequacy and integrity of the internal control system and the efficiency of the Group's operations;

REPORT OF THE AUDIT COMMITTEE

- (c) with the external auditors, their audit report;
 - (d) the assistance given by employees of the Group to the external and internal auditors;
 - (e) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work including inter-alia the appointment of internal auditors;
 - (f) the internal audit programme, processes and results of the internal audit programme, processes, major findings of internal investigation and management's response and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (g) review any appraisal or assessment of the performance of members of the internal audit function;
 - (h) the quarterly results and annual financial statements prior to the approval by the Board of Directors, focusing particularly on:-
 - (i) changes in or implementation of major accounting policies and practices;
 - (ii) significant and unusual events;
 - (iii) significant adjustments arising from the audit;
 - (iv) compliance with accounting standards, other statutory and legal requirements and the going concern assumption;
 - (v) the accuracy and adequacy of the disclosure of information essential to a fair and full presentation of the financial affairs of the Group;
 - (i) any related party transactions and conflict of interest situations that may arise within the Company or Group and any related parties outside the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - (j) any letter of resignation from the external auditors of the Company;
 - (k) whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment; and
 - (l) any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external and internal auditors, particularly any comments and responses in management letters as well as the assistance given by the employees of the Group in order to be satisfied that appropriate action is being taken.
2. Recommend the nomination of a person or persons as external auditors and the external audit fee.
 3. Promptly report to the Bursa Malaysia on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia Listing Requirements.
 4. Carry out any other functions that may be mutually agreed upon by the Committee and the Board of Directors which would be beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities.

ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2003, the Audit Committee in the discharge of its duties and functions carried out the following activities:-

- Invited and reviewed proposals for the provision of outsourced internal audit services to the Company and Group, resulting in the recommendation and appointment of Seclink Management Consultants Sdn Bhd as Internal Auditors for a year commencing from December 2003;
- Invited and reviewed proposals for the provision of external audit and tax agent services to the Company and Group, resulting in the recommendation for the re-appointment of KPMG as External Auditors for financial year 2004;

REPORT OF THE AUDIT COMMITTEE

- Reviewed new Malaysian Accounting Standards Board (“MASB”) standards and their implementation and integration into group accounting policies and procedures with management. MASB 22-29 came into effect during the financial year;
- Review of the audit plans for the year for the Company and Group as prepared by the Internal and External Auditors;
- Review of the audit reports for the Company and Group as prepared by the external auditors;
- Review of the quarterly reports and announcements of the Company and the Group prior to submission to the Board of Directors for approval and subsequent release to the Bursa Malaysia Securities Berhad.

INTERNAL AUDIT FUNCTION

The Company has outsourced the Internal Audit Function to assist the Committee in the discharge of its duties and responsibilities. Its principal role is to provide assurance, through conducting independent appraisals, that:

- There is a sound internal control system to achieve the Group’s objectives and to safeguard the shareholders’ investment and the Group’s assets; and
- The system is functioning adequately and its integrity is maintained.

In line with the Terms of Reference of the Audit Committee, the Internal Auditors report directly to the Committee and shall have direct access to the Chairman of the Committee on all matters of control and audit.

Internal audit includes evaluation of processes through which significant risks are identified, assessed and managed, and the Company has set up a committee to manage the risks within the Group, which sets the basic platform for the Group to examine its operations and strategies.

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee ("RC") of Furniweb Industrial Products Berhad is pleased to present the following report for the financial year ended 31 December 2003.

COMPOSITION OF REMUNERATION COMMITTEE

The RC consists of 4 members, mainly non-executive directors. The committee was established on 25 February 2004.

DIRECTOR	POSITION
Encik Hamzah bin Mohd Salleh	Chairman of Remuneration Committee & Non-Independent Non-Executive Director
Mr Lim Chee Hoong	Independent Non-Executive Director
Mr Jimmy Cheah Eng Chuan	Managing Director
Dato' Haji Johar bin Murat @ Murad	Independent Non-Executive Director

TERMS OF REFERENCE OF REMUNERATION COMMITTEE

1. Constitution

The Board has established a Committee of the Board to be known as the Remuneration Committee.

2. Membership

- The Committee shall be appointed by the Board from amongst the directors of the Company and shall consist mainly of non-executive directors. A quorum shall be two (2) members.
- The members of the Committee shall elect a Chairman from among their members.
- If a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new member(s) as may be required to make up the minimum number of three (3) members.

3. Objective

Remuneration for a director should be determined so as to ensure that the Company attracts and retains the directors needed to run the Group successfully. The component parts of remuneration should be structured so as to link rewards to corporate and individual performance, in the case of executive directors.

4. Functions

The functions of the Committee shall be:-

- 4.1 Recommend to the board the framework of executive remuneration and its cost, and the remuneration package for each executive director, taking into account the performance of the individual, the inflation price index and information from independent sources on the rates of salary for similar jobs in a selected group of comparable companies.
- 4.2 To reimburse reasonable expenses incurred by the directors in the course of their duties as directors.

REPORT OF THE REMUNERATION COMMITTEE

4.3 To review and determine the bonus scheme for the executive directors depending on various performance measurements of the Group.

4.4 To review and determine the other benefits in kind for the executive directors.

4.5 To review annually the executive directors' service contracts.

5. Reporting Procedures

- The remuneration of directors shall be ultimate responsibility of the full board after considering the recommendations of the committee.
- Directors do not participate in decisions on their own remuneration packages.

ACTIVITIES OF THE REMUNERATION COMMITTEE

The committee met on 27 April 2004 after the close of financial year ended 31 December 2003 to review the remuneration of the Directors of the Company.

DIRECTORS' REMUNERATION

Details of Directors' remuneration for the financial year ended 31 December 2003 are set out below:-

Remuneration	Executive Directors (RM)	Non- Executive Directors (RM)	Total (RM)
Directors' Fees*	22,500	22,500	45,000
Salaries and other emoluments**	1,155,590	–	1,155,590
Bonus	–	–	–
Benefits-in-kind	72,950	–	72,950
Technical fee paid to a director	–	–	–
Total	1,251,040	22,500	1,273,540

* To be approved at the forthcoming Annual General Meeting (The Directors' Fees is for the period from October 2003 to December 2003).

** Include pre and post acquisition emoluments for the year.

The number of Directors whose remuneration during the financial year ended 31 December 2003 fall within the following bands is as follows:-

Range of remuneration (RM)	Executive	Non-Executive
Below 50,000	–	3
150,001 - 200,000	1	–
200,001 - 250,000	–	–
250,001 - 300,000	–	–
300,001 - 350,000	–	–
350,001 - 400,000	1	–
650,001 - 700,000	1	–
Total	3	3

REPORT OF THE NOMINATION COMMITTEE

The Nomination Committee of Furniweb Industrial Products Berhad is pleased to present the following report for the financial year ended 31 December 2003.

COMPOSITION OF NOMINATION COMMITTEE

The Nomination Committee consists of 3 members, the majority of whom are Independent Non-Executive Directors. The committee was established on 25 February 2004.

DIRECTOR	POSITION
Dato' Haji Johar bin Murat @ Murad	Chairman of Nomination Committee & Independent Non-Executive Director
Encik Hamzah bin Mohd Salleh	Non-Independent Non-Executive Director
Mr Lim Chee Hoong	Independent Non-Executive Director

TERMS OF REFERENCE OF NOMINATION COMMITTEE

1. Constitution

The Board has established a Committee of the Board to be known as the Nomination Committee.

2. Membership

- The Committee shall be appointed by the Board from amongst the directors of the Company and shall comprise exclusively of non-executive directors, majority of whom are independent. A quorum shall be two (2) members.
- The members of the Committee shall elect a Chairman from among their members.
- If a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new member(s) as may be required to make up the minimum number of three (3) members.

3. Functions

The functions of the Committee shall be:-

- 3.1 Proposing new nominees for appointment to the board of directors.
- 3.2 Assessing directors on an on-going basis, the effectiveness of the board and the contribution of each individual director.
- 3.3 Recommend to the board, directors to fill the seats on other board committees.
- 3.4 Review annually the mix of skills and experience and other qualities of the board members.
- 3.5 Orientating and educating new directors as to the nature of the business, current issues within the company and the corporate strategies, the expectations of the company concerning input from the directors and the general responsibilities of directors.

REPORT OF THE NOMINATION COMMITTEE

4. Re-election of Directors & Retirement of Directors by Rotation

In accordance with the Company's Articles of Association, all directors who are appointed by the board are subject to election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one third of the remaining directors be subject to re-election by rotation at each Annual General Meeting.

It is proposed that the above should also come under the purview of the Nomination Committee.

5. Reporting Procedures

- The actual decision as to who shall be appointed to the Board should be the responsibility of the full board after considering the recommendations of the committee.
- Reporting to the full board from time to time its recommendations for consideration and implementation.

ACTIVITIES OF THE NOMINATION COMMITTEE

The Committee met for the first time after the close of the financial year on 27 April 2004 to assess the effectiveness of the board and the contribution of each individual director. The Committee further determined the directors standing for re-election.



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DIRECTORS' REPORT for the year ended 31 December 2003

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and providing management services, whilst the principal activities of the subsidiaries are as stated in Note 3 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Net profit for the year	4,831	1,263

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the financial statements.

DIVIDEND

No dividend was paid during the year. The Directors recommended a final dividend of 3% (1.5 sen per share) tax exempt totalling RM1,200,000 in respect of the year ended 31 December 2003.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:-

Cheah Eng Chuan (appointed on 21.7.2003)

Lee Sim Hak (appointed on 21.7.2003)

Ong Lock Hoo (appointed on 21.7.2003)

Hamzah Bin Mohd Salleh (appointed on 21.7.2003)

Lim Chee Hoong (appointed on 21.7.2003)

Dato' Johar Bin Murat @ Murad (appointed on 21.7.2003)

Lee Theng Ching (resigned on 21.7.2003)

Ho Kwee Ying (resigned on 21.7.2003)

DIRECTORS' INTERESTS

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:-

	Number of ordinary shares of RM0.50 each			At 31.12.2003
	At 1.1.2003	Bought	Sold	
Shareholdings in which Directors have direct interests in the Company:-				
Lee Theng Ching	1	–	(1)	–
Ho Kwee Ying	1	–	(1)	–
Cheah Eng Chuan	–	20,963,848	(10,291,028)	10,672,820
Lee Sim Hak	–	3,720,638	(1,754,304)	1,966,334
Ong Lock Hoo	–	6,377,020	(2,567,054)	3,809,966
Hamzah Bin Mohd Salleh	–	10,600,000	(3,500,000)	7,100,000
Dato' Johar Bin Murat @ Murad	–	3,800,000	(3,800,000)	–

Shareholdings in which a Director has indirect interest in the Company:-

Cheah Eng Chuan	–	20,000,002	–	20,000,002
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By virtue of their interests in the shares of the Company, Cheah Eng Chuan, Lee Sim Hak, Ong Lock Hoo, Hamzah Bin Mohd Salleh and Dato' Johar Bin Murat @ Murad are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Furniweb Industrial Products Berhad has an interest.

The other Director holding office at 31 December 2003 did not have any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisitions of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its authorised share capital from RM100,000 divided into 100,000 ordinary shares of RM1.00 each to RM100,000,000 divided into 200,000,000 ordinary shares of RM0.50 each.

During the financial year, the Company increased its issued and paid-up capital from RM2 to RM40,000,000 by way of:-

- a) issuance of 29,164,480 new ordinary shares of RM1.00 each at an issue price of RM1.08 per ordinary share in consideration for the acquisitions of the subsidiaries as disclosed in Note 24 to the financial statements;
- b) rights issue of 6,835,518 new ordinary shares of RM1.00 each in the Company to the existing shareholders of the Company on the basis of approximately two hundred thirty four (234) new ordinary shares for every one thousand (1,000) existing ordinary shares held at an issue price of RM1.00 at par for cash;
- c) share split of 36,000,000 ordinary shares of RM1.00 each to 72,000,000 ordinary shares of RM0.50 each;
- d) public issue of 7,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.08 per ordinary share;
- e) private placement of 1,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.08 per ordinary share.

There were no other changes in the issued and paid-up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:-

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:-

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:-

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2003 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:-

CHEAH ENG CHUAN

LEE SIM HAK

Kuala Lumpur,

Date: 27 April 2004

STATEMENT BY DIRECTORS pursuant to Section 169 (15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 30 to 60 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2003 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:-

CHEAH ENG CHUAN

LEE SIM HAK

Kuala Lumpur,

Date: 27 April 2004

STATUTORY DECLARATION pursuant to Section 169 (16) of the Companies Act, 1965

I, **CHEAH ENG CHUAN**, the Director primarily responsible for the financial management of **FURNIWEB INDUSTRIAL PRODUCTS BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 30 to 60 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 27 April 2004.

CHEAH ENG CHUAN

Before me,

We have audited the financial statements set out on pages 30 to 60. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - i) the state of affairs of the Group and of the Company at 31 December 2003 and the results of their operations and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 3 to the financial statements and we have considered their financial statements and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG

Firm Number: AF 0758
Chartered Accountants

TANG SENG CHOON

Partner
Approval Number: 2011/12/05(J)

Kuala Lumpur,

Date: 27 April 2004

CONSOLIDATED BALANCE SHEET as at 31 December 2003

	Note	Group 2003 RM'000
Property, plant and equipment	2	33,417
Investment in a jointly controlled entity	4	788
Other investments	5	33
Goodwill on consolidation	6	767
		35,005
Current assets		
Inventories	7	15,224
Trade and other receivables	8	15,467
Tax recoverable		75
Cash and cash equivalents	9	14,140
		44,906
Current liabilities		
Trade and other payables	10	12,907
Borrowings	11	8,132
Taxation		571
		21,610
Net current assets		23,296
		58,301
Financed by:-		
Capital and reserves		
Share capital	12	40,000
Reserves		10,318
		50,318
Minority shareholders' interests	13	1,915
Long term and deferred liabilities		
Borrowings	11	4,222
Deferred tax liabilities	14	1,846
		58,301

The financial statements were approved and authorised for issue by the Board of Directors on 27 April 2004.

The notes set out on pages 39 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED INCOME STATEMENT for the period from 1 July 2003 to 31 December 2003

	Note	Group 1.7.2003 to 31.12.2003 RM'000
Revenue		32,549
Cost of sales		(21,118)
Gross profit		11,431
Distribution and selling expenses		(1,170)
Administration expenses		(3,856)
Other operating expenses		(77)
Other operating income		337
Operating profit	15	6,665
Interest expense	17	(577)
Interest income		249
Share of profit in a jointly controlled entity		235
Profit before taxation		6,572
Tax expense – Company and subsidiaries	18	(1,352)
Profit after taxation		5,220
Less: Minority interests		(389)
Net profit for the year		4,831
Basic earnings per share (net) – (sen)	19	13.2
Dividend per ordinary share (net) – (sen)	19	1.5

The notes set out on pages 39 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CHANGES IN EQUITY for the period from 1 July 2003 to 31 December 2003

Group	Share capital RM'000	— Non-distributable —		Distributable Retained profits RM'000	Total RM'000
		Share premium RM'000	Translation reserve RM'000		
At date of consolidation					
– 1 July 2003	*	–	–	–	–
Issuance of shares for					
- Acquisition of subsidiaries	29,164	2,333	–	–	31,497
- Rights issue	6,836	–	–	–	6,836
- Public issue	3,500	4,060	–	–	7,560
- Private placement	500	580	–	–	1,080
	40,000	6,973	–	–	46,973
Exchange differences on translation of the financial statements of foreign entities	–	–	157	–	157
Listing expenses	–	(1,643)	–	–	(1,643)
Net gains or loss not recognised in the income statement	–	(1,643)	157	–	(1,486)
Net profit for the year	–	–	–	4,831	4,831
At 31 December 2003	40,000	5,330	157	4,831	50,318

Note 12

* Denotes RM2

The notes set out on pages 39 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED CASH FLOW STATEMENT for the period from 1 July 2003 to 31 December 2003

	Group 1.7.2003 to 31.12.2003 RM'000
Cash flows from operating activities	
Profit before taxation	6,572
Adjustments for:-	
Depreciation	1,680
Interest expense	577
Interest income	(249)
Gain on disposal of property, plant and equipment	(1)
Share of profit in a jointly controlled entity	(235)
Unrealised gain on foreign exchange	(83)
Operating profit before working capital changes	8,261
Changes in working capital:-	
Inventories	(900)
Trade and other receivables	1
Trade and other payables	(17,015)
Cash generated from operations	(9,653)
Income taxes paid	(1,129)
Net cash used in operating activities	(10,782)
Cash flows from investing activities	
Acquisition of subsidiaries, net of cash acquired (Note 24)	5,835
Placement of pledged deposits	(693)
Listing expenses paid	(1,643)
Purchase of property, plant and equipment (net of exchange differences)	(2,133)
Proceeds from disposal of property, plant and equipment	15
Interest income received	249
Net cash generated from investing activities	1,630
Cash flows from financing activities	
Advances from Directors	4,313
Proceeds from issuance of shares – rights, private placement and public issue	15,476
Proceeds from loans and other borrowings	3,230
Interest expense paid	(577)
Net cash generated from financing activities	22,242
Exchange differences on translation of the financial statements of foreign entities	157
Net increase in cash and cash equivalents	13,447
Cash and cash equivalents at date of consolidation	*
Cash and cash equivalents at end of year	13,447

CONSOLIDATED CASH FLOW STATEMENT for the period from 1 July 2003 to 31 December 2003

	Group 1.7.2003 to 31.12.2003 RM'000
Cash and cash equivalents	
Cash and bank balances	4,588
Deposits placed with licensed banks	9,552
	14,140
Less: Deposits pledged	(693)
	13,447

* Denotes RM2

The notes set out on pages 39 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

BALANCE SHEET as at 31 December 2003

	Note	Company	
		2003 RM'000	2002 RM'000
Investments in subsidiaries	3	40,519	–
Current assets			
Trade and other receivables	8	7,520	20
Cash and cash equivalents	9	2,909	*
		10,429	20
Current liabilities			
Trade and other payables	10	4,340	27
Taxation		22	–
		4,362	27
Net current assets/(liabilities)		6,067	(7)
		46,586	(7)
Financed by:-			
Capital and reserves			
Share capital	12	40,000	*
Reserves		6,586	(7)
Surplus/(Deficit) in shareholders' funds		46,586	(7)

* Denotes RM2

The financial statements were approved and authorised for issue by the Board of Directors on 27 April 2004.

The notes set out on pages 39 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

INCOME STATEMENT for the year ended 31 December 2003

	Note	Company	
		2003 RM'000	2002 RM'000
Revenue		–	–
Cost of sales		–	–
Gross profit		–	–
Administration expenses		(44)	(4)
Other operating income		1,245	–
Operating profit	15	1,201	–
Interest income		84	–
Profit/(loss) before taxation		1,285	(4)
Tax expense	18	(22)	–
Net profit/(loss) for the year		1,263	(4)
Dividend per ordinary share (net) – sen	19	1.5	–

The notes set out on pages 39 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2003

	Share capital RM'000	Share premium RM'000	<i>Distributable</i> Retained profits/ (Accumulated losses) RM'000	Total RM'000
Company				
At 1 January 2002	*	–	(3)	(3)
Net loss for the year	–	–	(4)	(4)
At 31 December 2002/1 January 2003	*	–	(7)	(7)
Issuance of shares for				
- Acquisition of subsidiaries	29,164	2,333	–	31,497
- Rights issue	6,836	–	–	6,836
- Public issue	3,500	4,060	–	7,560
- Private placement	500	580	–	1,080
	40,000	6,973	(7)	46,966
Listing expenses	–	(1,643)	–	(1,643)
Net profit for the year	–	–	1,263	1,263
At 31 December 2003	40,000	5,330	1,256	46,586

Note 12

Note 18

* Denotes RM2

The notes set out on pages 39 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

CASH FLOW STATEMENTS for the year ended 31 December 2003

	Company	
	2003 RM'000	2002 RM'000
Cash flows from operating activities		
Profit/(Loss) before taxation	1,285	(4)
Adjustment for:-		
Interest income	(84)	—
Operating loss before working capital changes	1,201	(4)
Changes in working capital		
Other receivables	19	(20)
Other payables	16	24
Cash generated from operations/ Net cash generated from operating activities	1,236	—
Cash flows from investing activities		
Acquisitions of subsidiaries (cash)	(9,022)	—
Interest received	84	—
Listing expenses paid	(1,643)	—
Net cash used in investing activities	(10,581)	—
Cash flows from financing activities		
Advances to subsidiaries	(3,222)	—
Proceeds from issuance of shares – rights, private placement and public issue	15,476	—
Net cash generated from financing activities	12,254	—
Net increase in cash and cash equivalents	2,909	—
Cash and cash equivalents at beginning of year	*	*
Cash and cash equivalents at end of year	2,909	*
Cash and cash equivalents comprise:-		
Cash and bank balances	9	*
Deposits placed with a licensed bank	2,900	—
	2,909	*

* Denotes RM2

The notes set out on pages 39 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and by the Company and except for the adoption by the Company of the following:-

- (i) MASB 22, Segmental Reporting;
- (ii) MASB 25, Income Taxes;
- (iii) MASB 27, Borrowing Costs; and
- (iv) MASB 29, Employee Benefits.

In addition to the new policies and extended disclosures where required by these new standards, the effects of the changes in the above accounting policies are disclosed in Note 25 to these financial statements.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when either control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the period are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

(c) Joint venture

A joint venture is a contractual agreement whereby the Group and other parties have joint control over an economic activity.

In respect of its interest in a jointly controlled entity, the Group uses the equity method to account for its interest.

Unrealised profits or losses arising from transactions between the Group and its joint venturers are recognised only to the extent of that portion of the gain or loss which is attributable to the interests of the other venturers. Unrealised losses are recognised in full when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

(d) Goodwill on acquisition

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired and is stated at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised from the date of the first full year of initial recognition over its estimated useful life of not more than twenty (20) years.

(e) Property, plant and equipment

Freehold land are stated at cost. All other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

Depreciation

Freehold land are not amortised. Leasehold land are amortised in equal instalments over the period of the respective leases which range from forty-five (45) to fifty (50) years while buildings are depreciated on a straight line basis over the shorter of fifty (50) years or the lease period. The straight-line method is used to write off the cost of the other assets over the term of their estimated useful lives at the following principal annual rates:-

Plant and machineries	8% - 10%
Furniture and office equipment	10% - 40%
Motor vehicles	10% - 20%

(f) Accounting for hire purchase

Assets acquired under hire purchase arrangements are capitalised at their purchase cost and are depreciated on the same basis as owned assets. The total amount payable under hire purchase agreements is shown under hire purchase liabilities.

(g) Investments

Long term investments other than in subsidiaries and jointly controlled entity are stated at cost.

Long term investments in subsidiaries and jointly controlled entity are stated at cost in the Company, less impairment loss, where applicable.

(h) Inventories

Raw material, work-in-progress, manufactured inventories and other consumables are stated at the lower of cost and net realisable value with weighted average cost being the main basis for cost. The cost of raw material and other consumables comprise purchase cost and related costs of bringing the inventories to their present condition and location. For work-in-progress and manufactured inventories, cost consists of material, direct labour and an appropriate proportion of fixed and variable production overheads.

(i) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

NOTES TO THE FINANCIAL STATEMENTS

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) Liabilities

Borrowings and trade and other payables are stated at cost.

(l) Impairment

The carrying amount of assets, other than inventories and financial assets (financial assets in this context exclude investments in subsidiaries and jointly controlled entity), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement.

(m) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

(n) Employee benefits

Defined contribution plan

Obligations for contributions to defined contribution plan are recognised as an expense in the income statement as incurred.

(o) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

(ii) Financial statements of foreign operations

The Group's foreign operations are not considered an integral part of the Group's and the Company's operations. Accordingly, the assets and liabilities of foreign operations, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenue and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in equity.

The closing rate used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:-

VND 1,000	RM0.24	(2002:	VND1,000	RM0.24)
USD1	RM3.80	(2002:	USD1	RM3.80)
EURO 1	RM4.76	(2002:	EURO1	RM3.90)
Yen100	RM3.55	(2002:	Yen100	RM3.20)
AUD1	RM2.84	(2002:	AUD1	RM2.14)

(p) Revenue

(i) Goods sold

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(iii) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(q) Expenses

Interest expenses

All interest and other costs incurred in connection with borrowings are expensed as incurred. The interest component of hire purchase payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

NOTES TO THE FINANCIAL STATEMENTS

2. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machineries RM'000	Furniture and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost							
Acquisition of subsidiaries	1,297	2,242	12,572	28,685	1,738	2,753	49,287
Additions	–	–	117	2,106	41	11	2,275
Disposals	–	–	–	(2)	–	(25)	(27)
Exchange differences	–	–	(55)	(101)	(4)	(5)	(165)
At 31 December 2003	1,297	2,242	12,634	30,688	1,775	2,734	51,370
Accumulated depreciation							
Acquisition of subsidiaries	–	450	1,592	12,597	1,087	583	16,309
Charge for the year	–	28	167	1,249	75	161	1,680
Disposals	–	–	–	(1)	–	(12)	(13)
Exchange differences	–	–	(3)	(18)	(1)	(1)	(23)
At 31 December 2003	–	478	1,756	13,827	1,161	731	17,953
Net book value							
At 31 December 2003	1,297	1,764	10,878	16,861	614	2,003	33,417
At 31 December 2002	–	–	–	–	–	–	–
Depreciation charge for the year ended 31 December 2002	–	–	–	–	–	–	–

Motor vehicles held in trust

Included in the property, plant and equipment of the Group is a motor vehicle with a net book value of RM179,725 registered in the name of a Director who holds the motor vehicle in trust for the Group.

Security

Certain leasehold land and buildings of the Group with a net book value RM7,911,000 are charged to banks as security for bank facilities granted to the Group (see Note 11).

Title to the freehold land amounting to RM1,009,000 of a subsidiary has yet to be issued by the land office.

Assets under hire purchase

Included in property, plant and equipment of the Group are plant and machineries acquired under hire purchase agreement with a net book value RM2,639,000.

NOTES TO THE FINANCIAL STATEMENTS

3. INVESTMENTS IN SUBSIDIARIES

	Company	
	2003 RM'000	2002 RM'000
Unquoted shares - at cost	40,519	–

The principal activities of the subsidiaries, their places of incorporation and the interest of the Company are as follows: -

Name of company	Principal activities	Country of incorporation	Effective ownership interest	
			2003 %	2002 %
Furniweb Manufacturing Sdn. Bhd.	Manufacture and sale of upholstery webbings, covered elastic yarn and rigid webbings	Malaysia	100	–
Texstrip Manufacturing Sdn. Bhd.	Manufacture and marketing of rubber strips and sheets	Malaysia	100	–
Webtex Trading Sdn. Bhd.	Trading of machinery and accessories and acts as commission agent	Malaysia	100	–
Premier Gesture Sdn. Bhd.	Investment holding company	Malaysia	100	–
Premier Elastic Webbing and Accessories (V) Co. Ltd.**	Manufacture and sale of narrow fabrics	Vietnam	100	–
First Elastic Corporation (M) Sdn. Bhd.**	Manufacture and sale of narrow fabrics	Malaysia	100	–
Furniweb Manufacturing (Vietnam) Co. Ltd*	Manufacture and sale of upholstery webbings and covered elastic yarn	Vietnam	100	–
Furniweb-VOA Safety Webbing Sdn. Bhd.***	Manufacture and sale of safety webbing	Malaysia	60	–
Syarikat Sri Kepong Sdn. Bhd.***	Property holding company	Malaysia	100	–

* Audited by a member firm of KPMG International

** Audited by other firm of accountants

*** The entire equity interest is held by Furniweb Manufacturing Sdn. Bhd.

NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

The Group's interest in the assets and liabilities, revenue and expenses of a jointly controlled entity are as follows:-

	2003 RM'000
Long-term assets	297
Current assets	948
Current liabilities	(457)
Net assets	788
Income	1,503
Expenses	(1,268)
	235

Details of the jointly controlled entity are as follows:-

Name	Principal activities	Proportion of ownership interest	
		2003 %	2002 %
Trunet (Vietnam) Co. Ltd.*	Manufacture and sale of meat netting	50	-

* Audited by a member firm of KPMG International

5. OTHER INVESTMENTS

	Group 2003 RM'000
Long term	
Quoted shares in Malaysia - at cost	148
Less: Allowance for diminution in value	(115)
	33

The market value of the quoted shares is RM33,030.

6. GOODWILL ON CONSOLIDATION

	Group 2003 RM'000
Cost	
Acquisition of subsidiaries	767
At 31 December 2003	767

Goodwill is amortised from the date of the first full year of initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

7. INVENTORIES

	Group 2003 RM'000
At cost:-	
Raw material	6,527
Work-in-progress	3,802
Manufactured inventories	4,519
Other consumables	376
	15,224

8. TRADE AND OTHER RECEIVABLES

	Group 2003 RM'000	Company 2003 RM'000	2002 RM'000
Trade receivables	13,880	–	–
Other receivables, deposits and prepayments	1,474	1	20
Amount due from jointly controlled entity (trade)	113	–	–
Amount due from subsidiaries (non trade)	–	7,519	–
	15,467	7,520	20

Amount due from a jointly controlled entity

The amount due from a jointly controlled entity is unsecured and interest free.

Amount due from subsidiaries

The amount due from subsidiaries is unsecured and has no fixed terms of repayment. Interest is charged during the financial year for amount due from a subsidiary at 7% per annum.

9. CASH AND CASH EQUIVALENTS

	Group 2003 RM'000	Company 2003 RM'000	2002 RM'000
Cash and bank balances	4,588	9	*
Deposits placed with licensed banks	9,552	2,900	–
	14,140	2,909	*

Included in the Group's deposits placed with licensed bank is an amount of RM693,000 pledged for credit facilities granted to the Group.

* Denotes RM2

NOTES TO THE FINANCIAL STATEMENTS

10. TRADE AND OTHER PAYABLES

	Group 2003 RM'000	Company 2003 RM'000	2002 RM'000
Trade payables	4,790	–	–
Other payables and accrued expenses	3,804	43	27
Amount due to Directors (non trade)	4,313	–	–
Amount due to subsidiaries (non trade)	–	4,297	–
	12,907	4,340	27

Amount due to Directors

The amount due to Directors is in respect of advances, which are unsecured, interest free and have no fixed terms of repayment.

Amount due to subsidiaries

The amount due to subsidiaries is in respect of advances and monies due from purchase of subsidiaries, which are unsecured, interest free and have no fixed terms of repayment.

11. BORROWINGS

	Group 2003 RM'000
Current	
Term loans (secured)	1,378
Trade bills	6,154
Hire purchase liabilities	600
	8,132
Non-current	
Term loans (secured)	3,172
Hire purchase liabilities	1,050
	4,222

The Group's borrowings are secured by way of:-

- i) a fixed charge over the subsidiaries' leasehold land and buildings;
- ii) a pledge over the subsidiaries' assets;
- iii) corporate guarantees by the Company on credit facilities granted to the subsidiaries;
- iv) an irrevocable, continuing and unconditional joint and several guarantees of the Group and of the Company's Directors; and
- v) fixed deposits principal amounting to RM693,000.

NOTES TO THE FINANCIAL STATEMENTS

Terms and debt repayment schedule

	Total RM'000	Within 1 year RM'000	1-5 years RM'000
Term loans variable at 1.5% above BLR per annum	4,550	1,378	3,172
Trade bills variable at 3.0% above BLR per annum	6,154	6,154	–
Hire purchase liabilities fixed at 3.65% to 5.20%	1,650	600	1,050
	12,354	8,132	4,222

The term loans are repayable in equal monthly and quarterly instalments over periods ranging from two (2) to three (3) years.

Hire purchase liabilities

Hire purchase liabilities are payable as follows:-

	Payments 2003 RM'000	Interest 2003 RM'000	Principal 2003 RM'000
Group			
Less than one year	707	107	600
Between one and five years	1,186	136	1,050
	1,893	243	1,650

12. SHARE CAPITAL

	Group 2003 RM'000	Company 2003 RM'000	2002 RM'000
Ordinary shares of RM0.50 each:-			
Authorised			
At 1 January	100	100	100
Created during the year	99,900	99,900	–
At 31 December	100,000	100,000	100
Issued and fully paid:-			
At 1 January	*	*	*
Increased during the year			
- Acquisitions of subsidiaries	29,164	29,164	–
- Rights issue	6,836	6,836	–
- Public issue	3,500	3,500	–
- Private placement	500	500	–
At 31 December	40,000	40,000	*

* Denotes RM2

NOTES TO THE FINANCIAL STATEMENTS

13. MINORITY SHAREHOLDERS' INTERESTS

These consist of minority shareholders' proportion of share capital and reserves of a subsidiary, net of their share of subsidiary's goodwill on consolidation or amortisation of goodwill charged to the minority shareholders.

14. DEFERRED TAX

The amounts, determined after appropriate offsetting, are as follows:-

	Group 2003 RM'000	Company 2003 RM'000	2002 RM'000
Deferred tax liabilities	1,846	–	–

Deferred tax liabilities and assets are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

The recognised deferred tax assets and liabilities are as follows:-

	Group 2003 RM'000	Company 2003 RM'000	2002 RM'000
Property, plant and equipment			
- capital allowances	931	–	–
- revaluation	957	–	–
Provisions	(42)	–	–
	1,846	–	–

15. OPERATING PROFIT

	Group 1.7.2003 to 31.12.2003 RM'000	Company 2003 RM'000	2002 RM'000
Operating profit is arrived at after charging:-			
Auditors' remuneration	74	12	1
Depreciation (Note 2)	1,680	–	–
Directors' remuneration	890	23	–
Loss on foreign exchange (realised)	15	–	–
Rental of premises	116	–	–
and after crediting:-			
Dividend income from unquoted shares of subsidiaries	–	1,200	–
Gain on disposal of property, plant and equipment	1	–	–
Gain on foreign exchange (unrealised)	83	–	–
Rental income	15	–	–

NOTES TO THE FINANCIAL STATEMENTS

16. EMPLOYEE INFORMATION

	Group 1.7.2003 to 31.12.2003 RM'000	Company	
		2003 RM'000	2002 RM'000
Defined contribution plan			
- Employees' Provident Fund	227	-	-
Other staff costs (including Directors' remuneration)	3,088	-	-
	3,315	-	-

The number of employees of the Group and Company (including Directors) at the end of the year was 542 and Nil (2002 - Nil) respectively.

17. INTEREST EXPENSE

	Group 1.7.2003 to 31.12.2003 RM'000	Company	
		2003 RM'000	2002 RM'000
Term loans	119	-	-
Trade bills	345	-	-
Hire purchase liabilities	89	-	-
Bank overdrafts	24	-	-
	577	-	-

18. TAX EXPENSE

	Group 1.7.2003 to 31.12.2003 RM'000	Company	
		2003 RM'000	2002 RM'000
Current tax expense			
- Current year provision	1,339	22	-
Deferred tax expense			
- Origination and reversal of temporary differences	36	-	-
- Reversal of deferred tax liabilities on crystallisation of revaluation reserves of property, plant and equipment	(23)	-	-
	1,352	22	-

NOTES TO THE FINANCIAL STATEMENTS

Group		1.7.2003 to 31.12.2003 RM'000
	%	
Reconciliation of effective tax rate:-		
Profit before taxation	100	6,572
Income tax using Malaysian tax rate	28	1,840
Effects of changes in tax rates	–	(15)
Non deductible expenses	20	1,342
Tax incentives	(4)	(295)
Tax exempt income	(21)	(1,367)
Reversal of deferred tax liabilities on crystallisation of revaluation reserves of property, plant and equipment	–	(23)
Other items	(2)	(130)
	21	1,352

Company	%	2003 RM'000	%	2002 RM'000
Profit/(Loss) before taxation	–	1,285	–	(4)
Income tax using Malaysian tax rate	28	360	(28)	(1)
Non-deductible expenses	–	(2)	28	1
Tax exempt income	(26)	(336)	–	–
Tax expense	2	22	–	–

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank approximately RM1,200,000 of its retained profits at 31 December 2003, if paid out as dividends.

19. EARNINGS PER ORDINARY SHARE AND DIVIDEND PER ORDINARY SHARE

(i) Earnings per ordinary share – Group

Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of RM4,831,000 and the weighted average number of ordinary shares outstanding during the year of 36,665,323.

Net profit attributable to ordinary shareholders is calculated as follows:-

	2003 RM'000
Net profit for the year/ Net profit attributable to ordinary shareholders	4,831

NOTES TO THE FINANCIAL STATEMENTS

Weighted average number of ordinary shares

	2003
Issued ordinary shares at date of consolidation	2
Effects of shares issued and shares split	36,665,321
Weighted average number of ordinary shares	36,665,323

(ii) Dividend per ordinary share – Group and Company

The proposed final dividend of 3% tax exempt totaling RM1,200,000 has not been accounted for in the financial statements.

20. OPERATING LEASES

Total future minimum lease payments under non-cancellable operating lease are as follows:-

	Group 2003 RM'000
Due within one year	229
Between one to five years	871
More than five years	7,439
	8,539

The Group leases a number of office facilities and certain plant under operating leases. The leases typically run for an initial period of thirty two (32) years, with an option to review the lease at the end of the lease term. None of the leases included contingent rentals.

21. RELATED PARTIES

Controlling related party relationships are as follows:-

- i) The subsidiaries as disclosed in Note 3 to the financial statements;
- ii) Jointly controlled entity as disclosed in Note 4 to the financial statements; and
- iii) Directors and persons connected with the Directors.

NOTES TO THE FINANCIAL STATEMENTS

	Group 1.7.2003 to 31.12.2003 RM'000	Company 2003 RM'000	2002 RM'000
<i>With subsidiaries</i>			
Management fees charged	–	46	–
Dividends receivable	–	1,200	–
Interest received	–	57	–
<i>With jointly controlled entity</i>			
Dividend received / receivable	483	–	–

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

Balances with subsidiaries and jointly controlled entity at the balance sheet date are disclosed in Note 8 and Note 10 to the financial statements.

22. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segment, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group comprises the following main business segments:-

Furniture webbing and covered elastic yarn	The manufacture and sale of upholstery webbings, covered elastic yarn and rigid webbings
Safety webbing	The manufacture and sale of safety webbing
Rubber strips	The manufacture and marketing of rubber strips
Narrow fabrics	The manufacture and sale of narrow fabrics
Others	Acting as property holding company and trading and commission agent

Geographical segments

The furniture webbing, covered elastic yarn and narrow fabrics segments are operated in two principal geographical areas, which are Malaysia and Vietnam. The safety webbing, rubber strips, trading and property segments are in Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are also based on the geographical location of assets.

NOTES TO THE FINANCIAL STATEMENTS

	Furniture webbing and covered elastic yarn 2003 RM'000	Safety webbing 2003 RM'000	Rubber strips 2003 RM'000	Narrow fabrics 2003 RM'000	Others 2003 RM'000	Eliminations 2003 RM'000	Consolidated 2003 RM'000
Business Segments							
Revenue from							
external customers	17,770	3,877	4,256	5,674	972	–	32,549
Inter-segment revenue	1,275	–	64	44	222	(1,605)	–
Total revenue	19,045	3,877	4,320	5,718	1,194	(1,605)	32,549
Segment result	6,689	1,213	947	163	839	(3,186)	6,665
Operating profit							6,665
Interest expense							(577)
Interest income							249
Share of profit in jointly controlled entity							235
Profit before taxation							6,572
Tax expense							(1,352)
Minority interest							(389)
Net profit for the year							4,831
Segment assets	44,038	5,724	6,896	16,146	5,552	–	78,356
Investment in a jointly controlled entity	788	–	–	–	–	–	788
	44,826	5,724	6,896	16,146	5,552	–	79,144
Unallocated assets							767
Total assets							79,911
Segment liabilities	16,968	683	1,372	5,482	526	801	25,832
Unallocated liabilities							1,846
Total liabilities							27,678
Capital expenditure	1,323	–	444	508	–	–	2,275
Depreciation	843	107	185	529	16	–	1,680

NOTES TO THE FINANCIAL STATEMENTS

	Malaysia 2003 RM'000	Asia Pacific 2003 RM'000	Europe 2003 RM'000	Others 2003 RM'000	Eliminations 2003 RM'000	Consolidated 2003 RM'000
<i>Geographical Segments</i>						
Revenue from external customers by location of customers	18,409	7,413	5,050	3,282	(1,605)	32,549
Segment assets by location of assets	50,023	29,121	–	–	767	79,911
Capital expenditure by location of assets	688	1,587	–	–	–	2,275

23. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Exposure to credit, interest rate, currency risk and liquidity risks arises in the normal course of the Group's and of the Company's business. The management reviews and agrees policies for managing each of these risk and they are summarised below.

Credit risk

Management monitors its exposure to credit risk on an ongoing basis. Credit evaluations are required to be performed on all customers requiring credit over a certain amount.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Interest rate risk

Excess funds of the Group and of the Company are placed with licensed banks for certain periods, during which the interest rates are fixed. The management monitors the rates at regular intervals.

In the current low interest rate scenario, the Group borrows for operations at variable rates using its hire purchase, term loans and trade financing facilities.

The Company charges interest on outstanding balances due from a subsidiary at 7% per annum.

Currency risk

Approximately 90% and 40% Group's purchases and sales transactions respectively are priced in foreign currencies. The Group does not hedge these exposures by purchasing or selling forward currency contracts at present. However, the management keeps this policy under review.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

NOTES TO THE FINANCIAL STATEMENTS

The following table shows information about the Group's and the Company's exposure to interest rate risk.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

	Rate per annum %	Effective interest Within Total RM'000	1-5 1 year RM'000	After years RM'000	5 years RM'000
Group					
Financial assets					
Deposits placed with licensed banks	2.6	9,552	9,552	–	–
Financial liabilities					
Term loans	6.5	4,550	4,550	–	–
Trade bills	8.3	6,154	6,154	–	–
		10,704	10,704	–	–
Company					
Financial assets					
Deposits placed with licensed banks	2.6	2,900	2,900	–	–
Amount due from a subsidiary	7.0	5,386	5,386	–	–
		8,286	8,286	–	–

Fair values

Recognised financial instruments

In respect of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings, the carrying amounts approximate fair values due to the relatively short term nature of these financial instruments.

The fair value of term loans with variable interest rate is considered to approximate its carrying amount as the rate reprices in the event of changes in the market rate of return.

NOTES TO THE FINANCIAL STATEMENTS

The aggregate fair values of the other financial asset carried on the balance sheet as at 31 December are represented in the following table.

Group	Carrying amount RM'000	Fair value RM'000
<i>Financial assets</i>		
Shares quoted in Malaysia	33	33

Fair value of quoted shares in Malaysia is based on their quoted bid price at balance sheet date.

24. ACQUISITIONS OF SUBSIDIARIES

On 30 June 2003, the Company acquired the entire issued and paid up capital of the following subsidiaries:-

- (i) First Elastic Corporation (M) Sdn. Bhd. for a total consideration of RM3,853,540; satisfied by the allotment and issuance of 3,568,092 ordinary shares of RM1 each. The acquisition was accounted for using the acquisition method of accounting. The acquisition contributed a net profit of RM1,300,000 for the year,
- (ii) Furniweb Manufacturing Sdn. Bhd. for a total consideration of RM23,121,189; satisfied by the allotment and issuance of 21,408,508 ordinary shares of RM1 each. The acquisition was accounted for using the acquisition method of accounting. The acquisition contributed a net profit of RM18,000,000 for the year,
- (iii) Webtex Trading Sdn. Bhd. for a total consideration of RM1,228,388; satisfied by the allotment and issuance of 1,137,397 ordinary shares of RM1 each. The acquisition was accounted for using the acquisition method of accounting. The acquisition contributed a net profit of RM200,000 for the year,
- (iv) Texstrip Manufacturing Sdn. Bhd. for a total consideration of RM3,294,521; satisfied by the allotment and issuance of 3,050,473 ordinary shares of RM1 each. The acquisition was accounted for using the acquisition method of accounting. The acquisition contributed a net profit of RM800,000 for the year, and
- (v) Premier Gesture Sdn. Bhd. for a total consideration of RM10; satisfied by the allotment and issuance of 10 ordinary shares of RM1 each. The acquisition was accounted for using the acquisition method of accounting. The acquisition incurred a net loss of RM400,000 for the year.

On 11 September 2003, the Company acquired the entire issued and paid up capital of Premier Elastic Webbing and Accessories (V) Co. Ltd for a total cash consideration of RM4,082,000 from its subsidiary Premier Gesture Sdn. Bhd.

On 30 December 2003, the Company acquired the entire issued and paid up capital of Furniweb Manufacturing (Vietnam) Co. Ltd for a total cash consideration of RM4,940,000, from its subsidiary Furniweb Manufacturing Sdn. Bhd.

NOTES TO THE FINANCIAL STATEMENTS

The fair values of assets and liabilities assumed in the acquisition of the subsidiaries and the cash flow effects are as follows:-

Group	2003 RM'000
Non current assets	
Property, plant and equipment	32,978
Investments	571
	33,549
Current assets	35,773
Current liabilities	(30,711)
Long term liabilities	(6,355)
Minority interest at the date of acquisition	(1,526)
Net assets	30,730
Goodwill on acquisition	767
	31,497
Consideration, satisfied by issue of shares	(31,497)
	-
Cash and cash equivalents acquired	5,835
Net cash inflow	5,835

The proforma income statement of the Group based on a complete year's results of the Group would be as follows:-

	2003 RM'000
Revenue	62,810
Cost of sales	(41,105)
Gross profit	21,705
Distribution and selling expenses	(2,415)
Administration expenses	(7,184)
Other operating expenses	(86)
Other operating income	815
Operating profit	12,835
Interest expense	(1,025)
Interest income	592
Share of profit in a jointly controlled entity	439
Profit before taxation	12,841
Tax expense – Company and subsidiaries	(2,250)
Profit after taxation	10,591
Less: Minority interests	(743)
Profit after taxation and minority interest	9,848
Less: Pre-acquisition profits	(5,017)
Net profit for the year	4,831
Basic earnings per share (based on pre and post acquisition profits)	26.9 sen

NOTES TO THE FINANCIAL STATEMENTS

25. CHANGES IN ACCOUNTING POLICIES

In the current financial year, the Company adopted four new MASB Standards. The adoption of these new standards resulted in changes in accounting policies as follows:-

- (a) MASB 22, Segmental Reporting, which has been adopted prospectively by the Group.
- (b) MASB 25, Income Taxes, which has been adopted retrospectively. The adoption of this standard has no impact on the Company's financial statements.
- (c) MASB 27, Borrowing Costs, which is applied retrospectively. The adoption of this standard has no impact on the Company's financial statements.
- (d) MASB 29, Employee Benefits, which has been adopted retrospectively. The adoption of this standard has no impact on the Company's financial statements.

The adoption of MASB 25 has resulted in the recognition in full of all taxable temporary differences. Previously, deferred tax liabilities were not provided if no liability was expected to arise in the foreseeable future and there were no indications the timing differences would reverse thereafter. Deferred tax assets are now recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised (previously only recognised where there was a reasonable expectation of realisation in the near future)

26. SIGNIFICANT EVENTS DURING THE YEAR

Acquisitions of subsidiaries

On 30 June 2003, in conjunction with, and as an integral part of the listing and quotation for the entire issued and paid-up share capital of the Company on the Second Board of the Malaysian Securities Exchange Berhad ("MSEB"), the shareholders of the Company approved the acquisition of following subsidiaries, as disclosed in Note 24:-

- (i) First Elastic Corporation (M) Sdn. Bhd.;
- (ii) Furniweb Manufacturing Sdn. Bhd.;
- (iii) Webtex Trading Sdn. Bhd.;
- (iv) Texstrip Manufacturing Sdn. Bhd.; and
- (v) Premier Gesture Sdn. Bhd.

On 11 September 2003, the Company acquired the entire issued and paid up capital of Premier Elastic Webbing and Accessories (V) Co. Ltd for a total cash consideration of RM4,082,000 from its subsidiary Premier Gesture Sdn Bhd, as disclosed in Note 24 to the financial statements.

On 30 December 2003, the Company acquired the entire issued and paid up capital of Furniweb Manufacturing (Vietnam) Co. Ltd for a total cash consideration of RM4,940,000, from its subsidiary Furniweb Manufacturing Sdn Bhd, as disclosed in Note 24 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Increase in share capital

During the year, the Company increased its issued and paid up capital from RM2 to RM40,000,000 by way of:

- (a) issuance of 29,164,480 new ordinary shares of RM1.00 each on 30 June 2003 at an issue price of RM1.08 per ordinary share in consideration for the acquisitions of the subsidiaries as disclosed in Note 24 to the financial statements;
- (b) rights issue of 6,835,518 new ordinary shares of RM1.00 each on 4 September 2003 in the Company to the existing shareholders of the Company on the basis of approximately two hundred thirty four (234) new ordinary shares for every one thousand (1,000) existing ordinary shares held at an issue price of RM1.00 at par for cash;
- (c) share split of 36,000,000 ordinary shares of RM1.00 each to 72,000,000 ordinary shares of RM0.50 each on 6 September 2003;
- (d) public issue of 7,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.08 per ordinary share on 8 October 2003;
- (e) private placement of 1,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.08 per ordinary share on 8 October 2003.

Lising and quotation of issued and paid up share capital

The entire issued and paid-up share capital of the Company was listed on the Second Board of the Malaysian Securities Exchange Board on 16 October 2003.

27. GROUP COMPARATIVES

No group comparatives have been presented, as this is the first set of financial statements since its date of consolidation.

LIST OF GROUP PROPERTIES

Address	Owner	Description	Age	Tenure/ Expiry	Existing Use	Land Area Area (Sq Ft.)	NBV as at 31/12/2003 RM	Date of Valuation* Date of Acquisition
Title No. H.S. (M) 967 P.T. No. 208 Mukim of Cheras District of Hulu Langat Selangor	FMSB	Land and 1 ½ storey detached factory	11	Leasehold (60 yrs)/ 9 July 2041	Industrial	51,905	2,988,244	10/5/2002
Title No. H.S. (M) 943 P.T. No. 7179 Mukim of Cheras District of Hulu Langat Selangor	SSKSB FMSB	Land and a detached single storey industrial factory	11	Leasehold (60 yrs)/ 2 September 2040	Industrial	56,253	2,254,600	10/5/2002
Plot No. 32 Bien Hoa Industrial Zone II Long Binh Ward Bien Hoa City Dong Nai Province Vietnam	FDN	1 ½ storey factory/ warehouse building with office, single storey staff quarter, single storey canteen and guard house, Double storey detached factory/ warehouse building ³	52	Lease/ 15 Jan 2044	Industrial	150,544	3,485,373	10/5/2002
Title No. H.S.(d) 37374 P.T. No. 4886 Mukim and District of Klang, Selangor Address : No. 46 Jalan Harum 25/49 Seksyen 25 40400 Shah Alam Selangor Darul Ehsan	Texstrip	Land and 2 ½ storey terrace house (intermediate lot)	20	Freehold	Residential	840	105,840	* 27/1/2003
Title No. H.S.(M) 33413 P.T. No. 73813 Mukim and District of Klang, Selangor	Texstrip	Land and Double storey office block cum single storey factory building, a guard house two car parking sheds and a motorcycle parking shed	13	Freehold	Industrial	50,444	2,562,456	10/5/2002
Title No. H.S. (D) 38842 P.T. No. 5161 Mukim of Semenyih District of Ulu Langat Selangor	FEC	1½ Storey Semi-detached Factory	6	Freehold	Industrial	10,352	537,374	10/5/2002
No. 8, Nhon Trach Industrial Zone 1 Nhon Trach District Dong Nai Province Vietnam	PEWA	1 ½ storey factory/warehouse building with office, single storey canteen and guard house	1	Lease / 22 Jan 2046	Industrial	281,180	2,005,362	** Not available

THERE WAS NO REVALUATION ON THE LAND AND PROPERTIES OWNED BY THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003.

ANALYSIS OF SHAREHOLDINGS as at 14 May 2004

Authorised Share Capital	:	RM100,000,000
Issued and Fully Paid-up Capital	:	RM40,000,000
Class of Shares	:	Ordinary Shares of RM0.50 each
Voting Rights	:	1 Vote per Ordinary Share

ANALYSIS OF SHAREHOLDINGS as at 14 May 2004

Category	No. of holders		No. of shares		Percentage (%)	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
1 - 99	3	0	122	0	0.00	0.00
100 - 1,000	378	1	347,400	1,000	0.43	0.00
1,001 - 10,000	432	14	1,960,300	52,300	2.45	0.07
10,001 - 100,000	139	3	4,215,200	52,000	5.27	0.07
100,001 - 3,999,999	60	1	42,548,256	102,000	53.19	0.13
4,000,000 and above	2	0	30,721,422	0	38.40	0.00
	1,014	19	79,792,700	207,300	99.74	0.26

DIRECTORS' SHAREHOLDINGS as at 14 May 2004 (PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS)

Directors	Direct		Indirect	
	No. of shares	%	No. of shares	%
Cheah Eng Chuan	10,721,420	13.40	20,000,002 ⁽¹⁾	25.00
Lee Sim Hak	2,142,934	2.68	—	—
Ong Lock Hoo	3,859,966	4.82	—	—
Hamzah bin Mohd Salleh	5,600,000	7.00	—	—
Dato' Haji Johar bin Murat @ Murad	—	—	—	—
Lim Chee Hoong	—	—	—	—

Notes:

1. Deemed interest by virtue of him holding more than 15% equity interest in Solid Rating Sdn Bhd pursuant to Section 6A of the Companies Act, 1965

SUBSTANTIAL SHAREHOLDERS as at 14 May 2004 (PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Solid Rating Sdn Bhd	20,000,002	25.00	—	—
Cheah Eng Chuan	10,721,420	13.40	20,000,002 ⁽¹⁾	25.00
Hamzah bin Mohd Salleh	5,600,000	7.00	—	—

Notes:

1. Deemed interest by virtue of him holding more than 15% equity interest in Solid Rating Sdn Bhd pursuant to Section 6A of the Companies Act, 1965

ANALYSIS OF SHAREHOLDINGS as at 14 May 2004

TOP 30 SHAREHOLDERS as at 14 May 2004

No.	Name of Shareholders	No of Shares Held	Percentage (%)
1.	SOLID RATING SDN BHD	20,000,002	25.00
2.	CHEAH ENG CHUAN	10,721,420	13.40
3.	AMMB NOMINEES (TEMPATAN) SDN BHD <i>BENEFICIARY: AMTRUSTEE BERHAD FOR PACIFIC PEARL FUND (5/1-9)</i>	3,556,000	4.45
4.	ONG LOCK HOO	3,168,020	3.96
5.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR HAMZAH BIN MOHD SALLEH (100501)</i>	2,800,000	3.50
6.	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>BENEFICIARY: MAYBAN TRUSTEES BERHAD FOR BALANCED RETURNS FUND (N14011980060)</i>	2,416,700	3.02
7.	AMFINANCE BERHAD <i>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR HAMZAH BIN MOHD SALLEH (SMART)</i>	2,400,000	3.00
8.	TAN WAH CHING	2,062,722	2.58
9.	CHAN KWONG POOI	2,043,280	2.55
10.	LAI KONG MENG	2,043,280	2.55
11.	LEE SIM HAK	1,520,638	1.90
12.	HSBC NOMINEES (TEMPATAN) SDN BHD <i>BENEFICIARY: HSBC (M) TRUSTEE BHD FOR HWANG-DBS DANA IZDIHAR (4207)</i>	1,326,000	1.66
13.	TAY KING @ TAY GEE TIONG	1,236,570	1.55
14.	PANG YUET FAH	1,219,500	1.52
15.	BHLB TRUSTEE BERHAD <i>BENEFICIARY: PRUSMALL-CAP FUND</i>	1,196,800	1.50
16.	HSBC NOMINEES (TEMPATAN) SDN BHD <i>BENEFICIARY: HSBC (M) TRUSTEE BHD FOR HWANG-DBS SELECT BALANCED FUND (4405)</i>	1,000,000	1.25
17.	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>BENEFICIARY: MALAYSIAN TRUSTEES BERHAD FOR MAYBAN FIRST CAPITAL GUARANTEED TRUST FUND (230187)</i>	900,000	1.13
18.	W ISMAIL BIN W NIK	889,400	1.11
19.	FIRSTEX KNITTING INDUSTRY SDN BHD	866,004	1.08

ANALYSIS OF SHAREHOLDINGS as at 14 May 2004

No.	Name of Shareholders	No of Shares Held	Percentage (%)
20	LEE KIM LIAN	725,800	0.91
21.	ONG LOCK HOO	691,946	0.86
22.	HSBC NOMINEES (TEMPATAN) SDN BHD <i>BENEFICIARY: HSBC (M) TRUSTEE BHD FOR HWANG-DBS SELECT SMALL CAPS FUND (4579)</i>	689,000	0.86
23.	PANG YUET FAH	500,000	0.63
24.	PANG YUET FAH	500,000	0.63
25.	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR TAN CHEE WENG</i>	449,000	0.56
26.	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR HAMZAH BIN MOHD SALLEH (MM0582)</i>	400,000	0.50
27.	HSBC NOMINEES (TEMPATAN) SDN BHD <i>BENEFICIARY: HSBC (M) TRUSTEE BHD FOR HWANG-DBS CAPITAL GUARANTEED FUND I (4330)</i>	400,000	0.50
28.	LEE SIM HAK	377,296	0.47
29.	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>BENEFICIARY: HWANG-DBS ASSET MANAGEMENT (MALAYSIA) SDN BHD FOR EMPLOYEES PROVIDENT FUND (230571)</i>	366,300	0.46
30.	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>BENEFICIARY: HWANG-DBS ASSET MANAGEMENT (MALAYSIA) SDN BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (240234)</i>	357,400	0.45
TOTAL		66,823,078	83.53



FURNIWEB

INDUSTRIAL PRODUCTS BERHAD

(541706-V)

(Incorporated in Malaysia)

FORM OF PROXY

No. of shares held	
CDS Account No.	

I/We, NRIC/Company No.
(FULL NAME IN BLOCK LETTERS)

of
(FULL ADDRESS)

being a member/members of **FURNIWEB INDUSTRIAL PRODUCTS BERHAD** do hereby

appoint of

..... or failing

him/her, of

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Third Annual General Meeting of the Company to be held at Nakhoda 1, Level 3, Hotel Armada Petaling Jaya, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor on Monday, 28 June 2004 at 2.30 p.m. and at any adjournment thereof on the following resolutions referred to in the Notice of Annual General Meeting.

My/Our proxy is to vote as indicated hereunder:-

RESOLUTIONS	*FOR	*AGAINST
1. To receive the Statutory Financial Statements for the financial year ended 31 December 2003 together with the Directors' and Auditors' Reports thereon		
2. To approve a first and final tax exempt dividend of 1.5 sen per share for the financial year ended 31 December 2003		
3. To approve the payment of Directors' fees for the financial year ended 31 December 2003		
4. To re-elect Cheah Eng Chuan retiring in accordance with Article 91 of the Company's Articles of Association		
5. To re-elect Lee Sim Hak retiring in accordance with Article 91 of the Company's Articles of Association		
6. To re-elect Ong Lock Hoo retiring in accordance with Article 91 of the Company's Articles of Association		
7. To re-elect Hamzah bin Mohd Salleh retiring in accordance with Article 91 of the Company's Articles of Association		
8. To re-elect Lim Chee Hoong retiring in accordance with Article 91 of the Company's Articles of Association		
9. To re-elect Dato' Haji Johar bin Murat @ Murad retiring in accordance with Article 91 of the Company's Articles of Association		
10. To re-appoint Messrs KPMG as the Company's Auditors and to authorise the Directors to fix their remuneration		
11. To authorise Directors to issue shares pursuant to Section 132D of the Companies Act, 1965		

* Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.



Dated this day of 2004

.....
Signature or Common Seal of Shareholder(s)

Notes:

- (i) *A proxy may but need not be a Member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.*
- (ii) *To be valid, this form, duly completed must be deposited at the registered office of the Company situated at 49-1 The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*
- (iii) *A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
- (iv) *Where a member is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
- (v) *If the appointor is a corporation this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.*