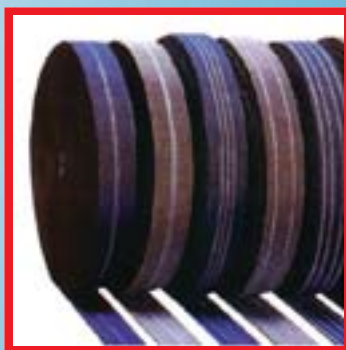




FURNIWEB

INDUSTRIAL PRODUCTS BERHAD

(Company No. 541706-V)



annual report 2005



Artist's impression of our new office and factory

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notice of fifth annual general meeting

NOTICE IS HEREBY GIVEN THAT THE FIFTH ANNUAL GENERAL MEETING OF FURNIWEB INDUSTRIAL PRODUCTS BERHAD ("FIPB") WILL BE HELD AT NAKHODA 1, LEVEL 3, HOTEL ARMADA PETALING JAYA, LORONG UTARA C, SECTION 52, 46200 PETALING JAYA, SELANGOR ON MONDAY, 26 JUNE 2006 AT 10.00 A.M..

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2005 together with the Directors' and Auditors' Reports thereon. **Resolution 1**
2. To approve a final dividend of 2.5 sen per share tax exempt and 0.5 sen per share less tax for the financial year ended 31 December 2005. **Resolution 2**
3. To approve the payment of Directors' fees for the financial year ended 31 December 2005. **Resolution 3**
4. To re-elect Chua Carmen who retires in accordance with Article 91 of the Company's Articles of Association. **Resolution 4**
5. To re-elect the following Directors who retire in accordance with Article 84 of the Company's Articles of Association:-
 - i. Dato' Hamzah bin Mohd Salleh **Resolution 5**
 - ii. Ong Lock Hoo **Resolution 6**
6. To re-appoint Messrs KPMG as the Company's Auditors and to authorise the Directors to fix their remuneration. **Resolution 7**

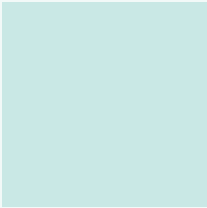
Special Business

7. To consider and if thought fit, pass the following resolution:- **Resolution 8**

ORDINARY RESOLUTION

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, upon such terms and conditions and for such purposes 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 Bursa Malaysia Securities Berhad ("Bursa Securities") 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."



notice of fifth annual general meeting (cont'd)

8. To consider and if thought fit, pass the following resolution:-

Resolution 9

ORDINARY RESOLUTION

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WHICH ARE IN THE ORDINARY COURSE OF BUSINESS

"THAT, subject to the Companies Act, 1965 ("the Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and its subsidiaries to enter into the categories of recurrent transactions of a revenue or trading nature as set out in the Circular to Shareholders dated 2 June 2006 with the related parties mentioned therein which are necessary for the FIPB Group's day-to-day operations subject further to the following:-

- (a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those available to the public and on terms not to the detriment of the minority shareholders;
- (b) the transactions are made on an arm's length basis and on normal commercial terms;

AND THAT such approval shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the AGM at which such mandate was passed, at which time it will lapse, unless by a resolution passed at such AGM whereby the authority is renewed;
- (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earlier,

AND FURTHER THAT the Directors of the Company be authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the shareholders' mandate."



notice of fifth annual general meeting (cont'd)

9. To consider and if thought fit, pass the following resolution:-

Resolution 10

ORDINARY RESOLUTION

PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

"THAT subject always to the Companies Act, 1965, provisions of the Company's Memorandum and Articles of Association, the requirements of Bursa Securities and any other relevant authorities, the Company be and is hereby authorised to purchase such number of ordinary shares of RM0.50 each in the Company as may be determined by the Directors from time to time through Bursa Securities, subject to the following:

- a) The aggregate number of shares which may be purchased by the Company shall not exceed ten per cent (10%) of the total issued and paid-up share capital of the Company at any point in time;
- b) The maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the retained profit and/or the share premium account of the Company. The audited retained profit and the share premium account of the Company as at 31 December 2005 are RM3.398 million and RM0.278 million respectively.
- c) The authority conferred by this resolution will be effective upon the passing of this resolution and will continue to be in force until:
 - i) the conclusion of the next AGM of the Company following the general meeting at which such resolution was passed, at which time the said authority will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
 - ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - iii) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting;whichever is earlier;
- d) Upon completion of the purchase by the Company of its own shares, the Directors of the Company be and are hereby authorised to deal with the shares purchased in their absolute discretion in the following manners:-
 - i) cancel the shares so purchased; or
 - ii) retain the shares so purchased as treasury shares and held by the Company; or

notice of fifth annual general meeting (cont'd)

9. To consider and if thought fit, pass the following resolution:- (cont'd)

iii) retain part of the shares so purchased as treasury shares and cancel the remainder, and the treasury shares may be distributed as dividends to the Company's shareholders and/or resold in the open market in accordance with the relevant rules of Bursa Securities and/or subsequently cancelled.

AND THAT authority be and is hereby unconditionally and generally given to the Directors of the Company; to take all such steps as are necessary or expedient to implement, finalise and give full effect to the purchase of the Company's own shares, with full power to assent to any conditions, modifications, revaluations and/or amendments as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter in accordance with the Act, the provisions of the Memorandum and Articles of Association of the Company and the guidelines issued by Bursa Securities and any other relevant authorities."

10. To consider and if thought fit, pass the following resolution:-

Resolution 11

ORDINARY RESOLUTION

PROPOSED ALLOCATION OF OPTIONS TO DATO' LIM HEEN PEOK

"THAT the Board of Directors of the Company be and is hereby authorised at any time and from time to time to offer and to grant to Dato' Lim Heen Peok, a Non-Executive Director of the Company, options to subscribe for such number of ordinary shares of RM0.50 each in the share capital of the Company, provided that such number of ordinary shares shall not exceed his maximum allowable allotment pursuant to the Employees' Share Option Scheme of FIPB ("Scheme"), subject always to the terms and conditions of the By-Laws of the Scheme and/or any adjustments thereto which may be made in accordance with the By-Laws."

11. To consider and if thought fit, pass the following resolution:-

Resolution 12

ORDINARY RESOLUTION

PROPOSED ALLOCATION OF OPTIONS TO CHUA CARMEN

"THAT the Board of Directors of the Company be and is hereby authorised at any time and from time to time to offer and to grant to Chua Carmen, a Non-Executive Director of the Company, options to subscribe for such number of ordinary shares of RM0.50 each in the share capital of the Company, provided that such number of ordinary shares shall not exceed her maximum allowable allotment pursuant to the Scheme, subject always to the terms and conditions of the By-Laws of the Scheme and/or any adjustments thereto which may be made in accordance with the By-Laws."

12. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.



notice of fifth annual general meeting (cont'd)

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT a final dividend of 2.5 sen per share tax exempt and 0.5 sen per share less tax for the financial year ended 31 December 2005, if approved by the shareholders at the forthcoming Fifth Annual General Meeting, will be paid on 28 July 2006. The entitlement date for the payment is 12 July 2006.

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 2006 in respect of ordinary transfer; and
- b) Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

BY ORDER OF THE BOARD

YEOH CHONG KEAT (MIA 2736)

LIM FEI CHIA (MAICSA 7036158)

Secretaries

Petaling Jaya

2 June 2006



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 NOTES UNDER SPECIAL BUSINESS

Resolution 8

Resolution 8 proposed under Agenda 7, 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.

Resolution 9

Resolution 9 proposed under Agenda 8, if passed, will authorise the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, particulars of which are as set out in the Circular to Shareholders of the Company dated 2 June 2006 despatched together with the Annual Report. This authority, unless revoked or varied by the Company in a general meeting, will expire at the next Annual General Meeting of the Company.

Resolution 10

Resolution 10 proposed under Agenda 9, if passed, will allow the Company to purchase its own shares up to 10% of the total issued and paid-up share capital 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. Details on the proposal are set out in the Circular to Shareholders on Proposed Renewal of Authority for the Company to Purchase its Own Shares dated 2 June 2006 despatched together with the Annual Report.

Resolutions 11 and 12

Resolutions 11 and 12 proposed under Agenda 10 and 11 respectively, if passed, will give the Directors of the Company, authority to offer and to grant to the Non-Executive Directors of the Company, options to subscribe for such number of ordinary shares of RM0.50 each in the share capital of the Company pursuant to the Employees' Share Option Scheme of FIPB.

statement accompanying notice of annual general meeting

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

- (i) Dato' Hamzah bin Mohd Salleh
- (ii) Ong Lock Hoo
- (iii) Chua Carmen

2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

Details of Directors' attendance at Board Meetings held in the financial year ended 31 December 2005 are as follows:

DIRECTORS	NO. OF MEETINGS ATTENDED
Dato' Lim Heen Peok	7 / 7
Cheah Eng Chuan	6 / 7
Dato' Haji Johar Bin Murat @ Murad	7 / 7
Dato' Hamzah Bin Mohd Salleh	7 / 7
Lim Chee Hoong	7 / 7
Lee Sim Hak	6 / 7
Ong Lock Hoo	7 / 7
Chua Carmen (appointed with effect from 6 March 2006)	Not applicable

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

The Fifth Annual General Meeting of the Company is scheduled to be held on Monday, 26 June 2006 at Nakhoda 1, Level 3, Hotel Armada Petaling Jaya, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor at 10.00 a.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 13 to page 15 while their securities holdings in the Company are set out in page 73 of this Annual Report.



BOARD OF DIRECTORS

Dato' Lim Heen Peek
Chairman

Cheah Eng Chuan
Managing Director

Lee Sim Hak
Executive Director

Ong Lock Hoo
Executive Director

Dato' Hamzah bin Mohd Salleh
Independent Non-Executive Director

Dato' Haji Johar bin Murat @ Murat
Independent Non-Executive Director

Lim Chee Hoong
Independent Non-Executive Director

Chua Carmen
Independent Non-Executive Director



COMPANY SECRETARIES

Yeoh Chong Keat (MIA 2736)
Lim Fei Chia (MAICSA 7036158)

REGISTERED OFFICE

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

corporate information

PRINCIPAL PLACE OF BUSINESS

Lot 208, Jalan Sungai Besi, Batu 12
Kampung Baru Balakong
43300 Cheras
Selangor Darul Ehsan
Tel: (603) 8961 1803
(603) 8961 1814
Fax: (603) 8961 2826

MAILING ADDRESS

G.P.O. Box 11279
50740 KUALA LUMPUR
E-mail : general@furniweb.com.my
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

Hong Leong Bank Berhad

 (97141-X)

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

Malaysian Industrial Development

Finance Berhad (3755-M)
195A, Jalan Tun Razak
P.O. Box 12110
50939 Kuala Lumpur

VID Public Bank

15 A, Ben Chuong Duong
District 1, Ho Chi Minh City, Vietnam

Malayan Banking Berhad

Suite 608, 63 Ly Thai To
Hanoi, Vietnam

AUDITORS

KPMG (Firm No. AF 0758)
Wisma KPMG
Jalan Dungun
Damansara Heights
50490 Kuala Lumpur

SHARE REGISTRAR

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

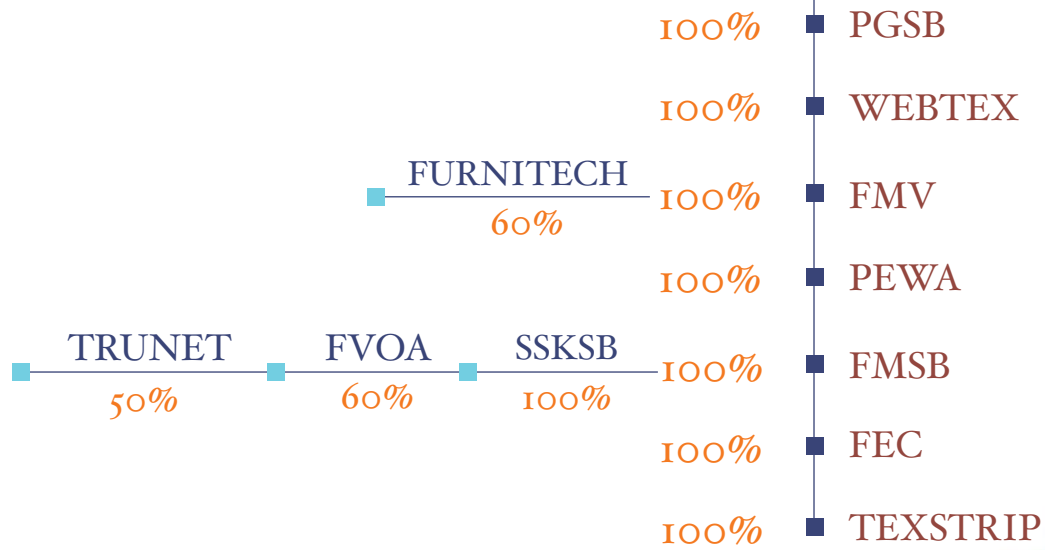
STOCK EXCHANGE LISTING

Second Board of Bursa
Malaysia Securities Berhad
Stock Code : 7168
Stock Name : FURNWEB





corporate structure



- FMSB**
Furniweb Manufacturing Sdn Bhd
(164933-H)
- FMV**
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)

SSKSB
Syarikat Sri Kepong Sdn Bhd
(21161-X)

FVOA
Furniweb-VOA Safety Webbing Sdn Bhd
(391112-U)

FURNITECH
Furnitech Components (Vietnam) Co Ltd

TRUNET
Trunet (Vietnam) Co Ltd





chairman's statement



On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Furniweb Industrial Products Berhad and its subsidiaries for the financial year ended 31 December 2005.

FINANCIAL PERFORMANCE

For the financial year under review, the Group achieved a turnover of RM76.7 million compared to RM69.9 million in the previous financial year, an increase of 10%. The Group's turnover was mainly contributed by the webbing and yarn division which accounted for 70% of total turnover.

The pre-tax profit however, declined to RM6.9 million in the current financial year compared to RM10.8 million in the previous year. The lower pre-tax profit was mainly attributed to the steep rise in raw materials costs which could not be entirely passed on to our customers. The substantial increases in natural rubber and oil prices worldwide had a significant impact on the cost of raw materials needed for the Group's products.

Net earning per share for the financial year was 6.4 sen compared to 9.4 sen for the previous year. As at 31 December 2005, shareholders'

assets stood at RM60.4 million whilst net assets per share is RM0.72.

Despite the difficult scenario described earlier, the resilience of the Group's performance has been achieved through the Management's prudent and practical hands on approach and the support of a dedicated work force.

CORPORATE DEVELOPMENTS

In the last Annual Report, I mentioned about Furniweb Manufacturing (Vietnam) Co., Ltd ("FMV"), a wholly owned subsidiary of Furniweb Industrial Products Berhad ("FIPB"), entering into a joint venture agreement with Ningbo Yong Ao Metal Products Co Ltd of the Peoples' Republic of China, Shann Accessories Pty Ltd and Eastern Imports Pty Ltd, both of Australia, to set up a joint venture company, Furnitech Components (Vietnam) Co., Ltd ("FCV"). Under this joint venture, FMV will own 60% of FCV.





chairman's statement (cont'd)

During the financial year, FCV utilised RM2.1 million for the construction of a factory and office building and RM2.2 million for the purchase of machineries. I am pleased to report that commercial production at FCV commenced in August 2005.

The Group also expanded the production capacity of a wholly owned subsidiary, Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd ("PEWA") during the year with the extension of its factory building and purchase of new machineries. The total capital expenditure in PEWA amounted to RM1.5 million.

In view of the future growth of the automotive industry in Malaysia and around the region, the Group invested RM3.1 million in acquiring new machineries for Furniweb-VOA Safety Webbing Sdn Bhd ("FVOA"), a 60% owned subsidiary of the wholly owned subsidiary, Furniweb Manufacturing Sdn Bhd ("FMSB"), to expand its production capacity of webbing for seat belts. These capital expenditures were financed by the IPO proceeds, internally generated funds and bank borrowings.

To further strengthen our position in the automotive industry, on 25 January 2006, FMSB entered into a share sale agreement with Autoliv Holding Limited ("AHL"), a company incorporated in the United Kingdom, for the acquisition of 1,000,000 ordinary shares of RM1.00 each held by AHL, representing 40% of the issued and paid-up capital of FVOA for a total consideration of RM4.0 million. Upon the completion of the acquisition, FVOA will through FMSB, become a wholly-owned subsidiary of FIPB.

FUTURE PROSPECTS

Despite some signs of moderating growth in the global economy, demand for the Group's products is anticipated to remain encouraging, especially from our export markets. The Group will continue to focus on strengthening its production capabilities, product competitiveness and market position, while constantly seeking ways to mitigate the risks associated with the business.

The Group will also continue to improve its internal controls and processes based on prudent management practices.

The Board and Management are mindful that the volatility in natural rubber and oil prices may persist in the mid term. However we are optimistic that given the competitiveness of our products and our concerted effort to improve productivity, barring any other unforeseen circumstances, the performance of the Group for the forthcoming year will be satisfactory.

DIVIDEND

The Board's dividend policy aims at allowing shareholders to participate in the profits of the Group, whilst ensuring that adequate reserves are maintained to meet its financial obligations and fund future growth.

With the above policy in mind, the Board is pleased to recommend a first and final dividend of 3 sen per share, of which 2.5 sen is tax exempt, for the financial year ended 31 December 2005.

APPRECIATION

I wish to express my sincere appreciation to my fellow directors, the management team and all our employees for their hard work, dedication and unwavering commitment to the Group during the year. My thanks are also extended to our valued customers, business associates, regulatory authorities and bankers whose support have been invaluable to the continued prosperity of the Group.

Last but not least, my special thanks to all our shareholders for your continuing support and confidence in our Group.

DATO' LIM HEEN PEOK
Chairman



board of directors

(From left to right)

ONG LOCK HOO
Executive Director

CHUA CARMEN
Independent Non-Executive Director

LEE SIM HAK
Executive Director

CHEAH ENG CHUAN
Managing Director

DATO' LIM HEEN PEOK
Independent Non-Executive Chairman

**DATO' HAMZAH BIN
MOHD SALLEH**
Independent Non-Executive Director

LIM CHEE HOONG
Independent Non-Executive Director

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



directors' profile

DATO' LIM HEEN PEOK

aged 58, a Malaysian, was appointed as the Independent Non-Executive Chairman of the Company on 25 November 2004.

After graduating from the University of Strathclyde, United Kingdom, Dato' Lim joined the UMW Group in 1975 as an Executive Engineer and worked in the engineering, service, marketing and sales operations of the Group for 12 years in various managerial positions. During that time he was responsible for improving the operations, negotiation with overseas principals for product franchises and development of new products and markets.

In 1986 Dato' Lim was appointed as the Managing Director of UMW Toyota Motor Sdn Bhd, a joint venture company between UMW and Toyota Motor Corporation of Japan. His primary role was to restructure the company to survive in the era of the National Car. He was instrumental in leading the company and developing the organization towards understanding and achieving world class standards of operations particularly in the area of quality, cost and delivery. Towards this end he put in place the Toyota Production System and the Toyota Way of continuous improvement which are highly acclaimed by people throughout the industry. After successfully making Toyota the top selling brand in the Non National Car market for 15 years, Dato' Lim retired in 2004.

Dato' Lim is presently a director of Alliance Bank Malaysia Berhad and has also served in numerous other companies. He was Chairman of T & K Autoparts which started as a Toyota plant manufacturing steering gear systems for the ASEAN market and which later also exported to Taiwan, Turkey and other countries. Dato' Lim also sat on the board of Kayaba Malaysia, Assembly Services Sdn Bhd, Automotive Industries Sdn Bhd as well as UMW Toyota Capital Sdn Bhd. He also played an active role in the automotive industry serving as the Vice President of the Malaysian Automotive Association.

Dato' Lim 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 attended all seven board meetings held in the financial year ended 31 December 2005 and has had no convictions for any offences within the past 10 years.

CHEAH ENG CHUAN

aged 59, a Malaysian, was appointed to the Board on 21 July 2003 as the Managing Director and is also a founder 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 Remuneration Committee and the Audit Committee. He served in the Malaysian Army between 1965 and 1974 before joining Oriental Elastic Industries Co., a company that manufactured covered elastic yarn, furniture webbing and seat belts, as a Sales Executive. He left in 1980 as a Manager and continued his career with Heveafil Sdn. Bhd., a company that manufactured rubber threads, as a Sales Manager. At Heveafil Sdn Bhd, Mr. Cheah 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 28 years of experience in the rubber threads and furniture webbing industries. He is currently responsible for the overall corporate strategy, finance, operations and business development of the Group. Mr. Cheah is a substantial shareholder of the Company by virtue of him holding more than 15% equity interest in Solid Rating Sdn Bhd, a 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 attended six of the seven board meetings held in the financial year ended 31 December 2005 and has had no convictions for any offences within the past 10 years.

DATO' LIM HEEN PEOK



CHEAH ENG CHUAN



directors' profile (cont'd)

LEE SIM HAK

aged 52, a Malaysian, was appointed to the Board on 21 July 2003 as an Executive Director and is also a founder member of FMSB and Webtex. Mr. Lee started his career with a textile company in Singapore where he worked for 3 years as a Technical Supervisor. He subsequently went to further his studies at the 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 carries with him 27 years of experience in the textile and furniture webbing industries. He is currently responsible for the overall production of the Group. Mr. Lee 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 attended six of the seven board meetings held in the financial year ended 31 December 2005 and has had no convictions for any offences within the past 10 years.

ONG LOCK HOO

aged 54, a Malaysian, was appointed to the Board on 21 July 2003 as an Executive Director. He is also a founder member of FMSB and Webtex. Mr. Ong worked with a sewing thread manufacturing company as

a Sales Executive from 1976 to 1977. He subsequently joined Oriental Elastic Industries Co. as a Sales Executive before joining FMSB. Mr. Ong has more than 22 years experience in the textile and rubber industries. Presently, he is in charge of the Group's overall sales and marketing strategy. Mr. Ong 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 attended all seven board meetings held in the financial year ended 31 December 2005 and has had no convictions for any offences within the past 10 years.

DATO' HAMZAH BIN MOHD SALLEH

aged 58, a Malaysian, was appointed to the Board on 21 July 2003 as a Non-Executive Director. Dato' 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 as the Finance and Administration Manager for 5 years in Pillar Naco Malaysia Sdn Bhd., a company dealing with architectural metal fabrication. From

1980 to 1993, he held various senior managerial positions in the 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. Dato' Hamzah has been a Director of PDZ Holdings Berhad, a company listed on Bursa Malaysia Securities Berhad, since 1996. He is also a director of BSL Corporation Berhad, Focus Dynamics Technologies Berhad and various other private companies. Dato' Hamzah 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 attended all seven board meetings held in the financial year ended 31 December 2005 and has had no convictions for any offences within the past 10 years.

LEE SIM HAK



ONG LOCK HOO



DATO' HAMZAH BIN MOHD SALLEH



directors' profile (cont'd)

DATO' HAJI JOHAR BIN MURAT @ MURAD

aged 59, a Malaysian, was appointed to the Board on 21 July 2003 as a Non-Executive Director. Dato' Johar is currently the Chairman of the Nomination Committee and a member of the Remuneration Committee and the Audit Committee. He graduated with a Bachelor Degree in Malay Studies from University Malaya in 1971.

After his graduation, Dato' Johar worked in various government bodies including, Kementerian Sains, Teknologi dan Alam Sekitar (*now known as Ministry of Science, Technology and Innovation*), Ministry of Finance, Kementerian Perusahaan Awam (*now known as Kementerian Pembangunan Usahawan dan Koperasi*) and the Economic Planning Unit of the Prime Minister's Department.

During Dato' Johar's tenure of service in the Ministry of Finance (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

When he was the Timbalan Ketua Setiausaha (Operasi) of Kementerian Sains, Teknologi dan Alam Sekitar (2000- 3 July 2003), Dato' Johar was also an Alternate Director of Technology Park Malaysia, MIMOS Berhad ("MIMOS"), SIRIM Berhad ("SIRIM"), Malaysian Agriculture Research Institute, Malaysian Technology Development Corporation, Composite Technology Research Malaysia, Majlis Rekabentuk Malaysia and Pusat Sains Negara. He is also the Audit Committee Chairman of MIMOS, a member of the Board of Tender for MIMOS and SIRIM and a director of various other private companies. Dato' Johar 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 attended all seven board meetings held in the financial year ended 31 December 2005 and has had no convictions for any offences within the past 10 years.

LIM CHEE HOONG

aged 45, a Malaysian, was appointed to the Board on 21 July 2003 as a Non-Executive Director. Mr. Lim is currently the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. He is a member of the Malaysian Institute of Certified Public Accountants as well as the Malaysian Institute of Accountants. Presently, Mr. Lim is

a practicing accountant in Malaysia under 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 17 years experience in the field of accounting. Mr. Lim 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 attended all seven board meetings held in the financial year ended 31 December 2005 and has had no convictions for any offences within the past 10 years.

CHUA CARMEN

aged 23, a Malaysian, was appointed to the Board on 6 March 2006 as a Non-Executive Director. Ms. Chua graduated with a Bachelor of Science Degree with First Class Honours from the London School of Economics and Political Science, United Kingdom, in 2004. She is currently sitting on the board of various companies within the Waterfront Capital Group. Ms. Chua 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. She has had no convictions for any offences within the past 10 years.

DATO' HAJI JOHAR BIN MURAT @ MURAD



LIM CHEE HOONG



CHUA CARMEN



corporate governance statement

The Board of Directors of Furniweb Industrial Products Berhad fully subscribes to and supports the spirit of the Malaysian Code on Corporate Governance ("the Code") and is committed to ensuring that the principles and best practices of the Code are observed and practiced throughout the Group in the pursuit of discharging its roles and responsibilities to protect shareholders' interests and enhance the financial performance of the Group.

The Board is pleased to outline the manner in which the Group has applied the principles set out in the Code and hereby confirms that the Group has complied with the best practices set out in the Code.



BOARD OF DIRECTORS

1. The Board

The Board of Directors has within it individuals drawn from varied professions and specializations. Together with the management, they collectively bring a diverse range of experience, skills and knowledge necessary to effectively discharge their responsibilities towards achieving the Group's business strategies and corporate goals.

Board meetings are scheduled every quarter and additional meetings are convened as and when necessary. During the financial year ended 31 December 2005, seven (7) meetings of the Board were held. Details of each director's meeting attendance during the financial year are as follows:

Director	Attendance
Dato' Lim Heen Peok	7 out of 7
Cheah Eng Chuan	6 out of 7
Lee Sim Hak	6 out of 7
Ong Lock Hoo	7 out of 7
Dato' Hamzah bin Mohd Salleh	7 out of 7
Dato' Haji Johar bin Murat @ Murad	7 out of 7
Lim Chee Hoong	7 out of 7
Chua Carmen (appointed on 6 March 2006)	N/A

2. Board Committees

The Board has delegated specific responsibilities to three (3) sub-committees, which are set out below, in order to assist the Board in the execution of its duties effectively.

Committee	Key Functions
Audit Committee	Explained on pages 23 to 27 of this Annual Report
Remuneration Committee	Explained on pages 28 to 30 of this Annual Report
Nomination Committee	Explained on pages 31 to 32 of this Annual Report

corporate governance statement (cont'd)



2. Board Committees (cont'd)

All committees have written terms of reference and operating procedures that are reviewed intermittently. The Chairmen of the various committees report to the Board the outcome of the committee meetings and are incorporated in the minutes of the Board meeting. These committees, which do not have executive powers, will deliberate and examine particular issues and report to the Board with their recommendations. The ultimate responsibility for the direction and control of the Company and the Group rests with the Board.

3. Board Balance

The Board of Directors presently comprises three (3) Executive Directors and five (5) Independent Non-Executive Directors. The composition of the Board complies with the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"). There is balance in the Board as the directors, with their different backgrounds and specializations, collectively bring a wide range of experience and expertise to the Group.

The profiles of the directors are presented in pages 13 to 15 of this Annual Report.

There is clear segregation of responsibilities between the Chairman of the Board and the Group Managing Director to ensure that there is a balance of power and authority in the Group. The Independent Non-Executive Chairman is primarily responsible for the effectiveness and proper conduct of the Board while the Group Managing Director is responsible for implementing the policies and decisions of the Board as well as overseeing the operations and business development of the Group.

4. Supply of Information

The management has a responsibility and duty to provide the whole Board with all the information, of which it is aware, to facilitate the discharge of the Board's responsibilities. The Board therefore expects to receive all material information about the Group, its operating units, its activities and performance on a timely basis.

corporate governance statement (cont'd)

4. Supply of Information (cont'd)

Prior to each Board meeting, all Board members are provided with the requisite notice, agenda and the relevant Board papers to enable them to have sufficient time to peruse the papers and, if necessary, obtain further information or clarification from the management to ensure effectiveness of the proceeding of the meetings. Senior management members are invited to attend these meetings to explain and clarify matters.

All directors have access to the advice and services of the Company Secretary and independent professional advisers, whenever necessary, at the Group's expense to enable the Board and members of its various committees to discharge their duties with adequate knowledge on the matters being deliberated.

5. Directors' Training

All directors of the Company have attended the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia, an affiliate of BMSB.

In compliance with the Continuing Education Programme implemented by BMSB, the directors also attended other appropriate training programmes to continuously update themselves with changes on guidelines issued by the relevant authorities as well as to keep abreast with developments in the marketplace, industry and corporate scene.

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 BMSB, 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.

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





corporate governance statement (cont'd)

ACCOUNTABILITY AND AUDIT

1. 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. This is primarily achieved through the announcement of quarterly financial results and the Chairman's Statement in the Annual Report. The quarterly financial results are reviewed by the Audit Committee and approved by the Board before being released to BMSB.

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 appropriate accounting policies have been consistently applied and that the financial statements comply with the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

2. Internal Control

The Board places significant emphasis on maintaining a sound system of internal control covering not only financial controls but also operational and compliance controls as well as risk management in order to safeguard shareholders' investments and the Group's assets. The Board continually reviews the adequacy and effectiveness of the internal control system to ensure it meets the Group's particular needs and to manage the risks to which it is exposed.

ADDITIONAL COMPLIANCE INFORMATION

1. Share Buy-back

During the financial year, the Company purchased 12,500 of its issued ordinary shares from the open market at the average price of RM0.49 per share. The repurchase transactions were financed by internal funds.

As at 31 December 2005, the repurchased shares were being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965. Treasury shares are carried at cost and have no rights to voting, dividends and participation in other distribution.

2. Options, Warrants or Convertible Securities

Other than the Employees' Share Option Scheme disclosed in pages 36 and 37 of the Annual Report, the Company has not granted any option to any party to take up unissued shares in the Company.

corporate governance statement (cont'd)

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

3. Sanctions/Penalties Imposed

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

4. Non-audit Fees

The amount of non-audit fees paid and payable to the external auditors by the Group for the financial year ended 31 December 2005 was RM22,000.

5. Variation in Results

There was no material variation between the audited results for the financial year ended 31 December 2005 and the unaudited results previously released.

6. Material Contracts

During the financial year, the Group did not enter into any material contracts involving Directors' and major shareholders' interest other than as disclosed in Note 27 of the financial statements.

7. Recurrent Related Party Transactions

The recurrent related party transactions for the financial year ended 31 December 2005 are set out in Note 27 of the financial statements.

statement on internal control

INTRODUCTION

The Malaysian Code on Corporate Governance requires public listed companies to maintain a sound system of internal control to safeguard shareholders' investments and Group's assets. Additionally, paragraph 15.27(b) of the Bursa Malaysia Securities Berhad's Listing Requirements require the Board of Directors of public listed companies to include a statement in their Annual Report on the state of internal controls of the Group.

RESPONSIBILITY

The Board recognizes the importance of sound internal controls and risk management systems to good corporate governance. The Board acknowledges that it is ultimately responsible for the Group's system of internal control, which includes the establishment of an appropriate control environment and framework, as well as reviewing the adequacy and integrity of risk management, governance and compliance functions.

The internal control system is designed to meet the business objectives and to manage the risks to which the companies are exposed. It should be emphasized however, that any internal control system can only provide reasonable and not absolute assurance against material misstatement, loss and fraud.

RISK MANAGEMENT

The management of risks is an integral part of the Group's management process. There is an ongoing process for identifying, evaluating and managing significant risks faced by the Group, and this process was in place throughout the year.

The Board continually reviews the adequacy and effectiveness of the risk management procedures across the various operating units within the Group. Periodic reviews were also conducted to identify new risks as well as to determine whether previously known risks remain relevant.

The key elements of the Group's risk management system are described below:

- There is a clearly defined delegation of responsibilities to the Audit Committee to ensure that appropriate risk management and control procedures are in place. The Group's management operates a risk management process that identifies key risks by functional activities.
- Budgets containing financial and operating targets are reviewed and approved by the Board.
- There is a defined framework for investment appraisal covering the acquisition or disposal of any investments, application for capital expenditure and approval for borrowings.

statement on internal control (cont'd)

RISK MANAGEMENT (CONT'D)

- Management meetings are held on a regular basis and attended by all Executive Directors to discuss and report on operational performance, key operating statistics and business strategy.
- Performance reports are regularly provided to the directors and discussed at Board meetings. The Board regularly receives from the management reports covering quarterly financial performance and other corporate matters.
- Comprehensive monthly management accounts and reports are prepared to facilitate effective monitoring and decision making.

INTERNAL AUDIT FUNCTION

The Group has an internal audit department that carries out the internal audit function in the Group. The findings of the internal audit department are regularly reported to the Audit Committee. The Audit Committee meets at least four times a year with the Board to discuss significant issues found during the internal audit process and make necessary recommendations to the Board.

RELATIONSHIP WITH 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 23 to 27 of this Annual Report.

CONCLUSION

For the financial year ended 31 December 2005, after due and careful assessment and based on the information and assurance provided, the Board is satisfied that there were no material losses, contingencies or uncertainties as a result of weaknesses in the system of internal control that would require separate disclosures in this Annual Report.

Nevertheless, the Board will continue to ensure that the Group's system of internal control is able to constantly adapt and prevail in its changing and challenging business environment.

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 2005.

COMPOSITION OF AUDIT COMMITTEE

The Audit Committee consists of three (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.

The committee members are as follows:

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

MEETINGS AND ATTENDANCE

The Audit Committee held a total of six (6) meetings during the financial year ended 31 December 2005. Details of attendance are as follows:

Director	Attendance
Lim Chee Hoong	6 out of 6
Cheah Eng Chuan	4 out of 6
Dato' Haji Johar bin Murat @ Murad	6 out of 6

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Constitution

The Board of Directors has constituted and established a committee of the Board to be known as the Audit Committee. The Audit Committee is to assist the Board in fulfilling its fiduciary responsibilities relating to corporate accounting, financial reporting practices, system of internal control, the audit process and the process of monitoring compliance with laws and regulations.

report of the audit committee (cont'd)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (CONT'D)

2. Membership

- The Committee shall be appointed by the Board from amongst the directors of the Company and shall comprise of at least three (3) members, majority of whom must be independent.
- At least one member of the Committee must be qualified under paragraph 15.10 (1)(c) of the Bursa Malaysia Securities Berhad's Listing Requirements.
- 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 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.

3. 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 a meeting of the Committee shall consist of not less than two (2) members, majority of whom must be independent directors.
- Other than in circumstances which the Chairman of the Committee considers inappropriate, the Head of Finance, Head of Internal Audit and representatives of 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.

report of the audit committee (cont'd)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (CONT'D)

3. Meetings and Minutes (cont'd)

- 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 of Directors and its minutes tabled and noted by the Board. 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 by any member of the Committee and the Board of Directors.

4. 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 independent professional or other advice and to 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 Head of Internal Audit 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 Department 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.

5. Functions and Duties

- Review the following and report the same to the Board of Directors:
 - (a) The audit plan, audit report and evaluation of the system of internal control with the external auditors as well as the assistance given by employees of the Group to the external auditors.
 - (b) The adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work including inter-alia the appointment of internal auditors.

report of the audit committee (cont'd)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (CONT'D)

5. Functions and Duties (cont'd)

- (c) Any internal audit programme, processes, the results of the internal audit programme, processes, or internal investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
 - (d) Review any appraisal or assessment of the performance of members of the internal audit function.
 - (e) To verify the allocation of options to ensure compliance with the criteria for allocation pursuant to the Company's Employees' Share Option Scheme.
 - (f) 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.
 - (g) Any related party transactions and conflict of interest situations that may arise within the Group and any related parties outside the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
 - (h) Any letter of resignation from the external auditors of the Company.
 - (i) Whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment.
 - (j) Any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external and internal auditors.
- Recommend the nomination of a person or persons as external auditors and the audit fee.
 - Promptly report to Bursa Malaysia Securities Berhad on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of Bursa Malaysia Securities Berhad's Listing Requirements.

report of the audit committee (cont'd)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (CONT'D)

5. Functions and Duties (cont'd)

- Carry out any other functions that may be mutually agreed upon by the Committee and the Board 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 2005, the activities carried out by the Audit Committee in the discharge of its duties included, among others, the following:

- Setting up of an in-house Internal Audit Department and review staffing requirement to ensure it is adequately staffed by employees with relevant skills, knowledge and experience to enable the department to perform its role.
- Review of unaudited quarterly and year to date financial results before recommending to the Board for consideration and approval for release to Bursa Malaysia Securities Berhad.
- Review major audit findings and management's response during the year with management, external auditors and internal auditors.
- Review of the external auditors' scope of work and audit plan for the year. The audit plan was presented by representatives from the external auditors.
- Review of the audited financial statements of the Company and the Group prior to submission to the Board for consideration and approval.
- Review related party transactions.
- Verify the allocation of options to ensure compliance with the criteria for allocation pursuant to the Company's Employees' Share Option Scheme.

INTERNAL AUDIT FUNCTION

The internal audit function is independent and has no involvement with the operations of the Group. It was set up to assist the Audit Committee in providing assurances that the internal control system of the Group is adequate via the execution of the internal audit plan.

For the year under review, audits were performed to evaluate and identify any weaknesses of the internal controls affecting the Group, the adequacy of the existing system of control and to recommend measures to management to improve and rectify any weaknesses.

report of the remuneration committee

The Remuneration Committee of Furniweb Industrial Products Berhad is pleased to present the following report for the financial year ended 31 December 2005.

COMPOSITION OF REMUNERATION COMMITTEE

The Remuneration Committee consists of four (4) members, the majority of whom are Independent Non-Executive Directors. The committee members are as follows:

Director	Position
Dato' Hamzah bin Mohd Salleh	Chairman of Remuneration Committee & Independent Non-Executive Director
Cheah Eng Chuan	Managing Director
Lim Chee Hoong	Independent Non-Executive 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 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.

3. Objective

Directors' remuneration should be of a sufficient level to attract and retain the high caliber directors needed to manage the Group successfully.

report of the remuneration committee (cont'd)

3. Objective (cont'd)

In the case of Executive Directors, the component parts of remuneration should be structured so as to link rewards to corporate and individual performance. For Non-Executive Directors, their remuneration should reflect their respective levels of experience, expertise and responsibilities.

4. Functions

The functions of the Committee shall be:

- 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.
- To reimburse reasonable expenses incurred by the directors in the course of their duties as directors.
- To review and determine the bonus scheme for the Executive Directors depending on various performance measurements of the Group.
- To review and determine the benefits-in-kind for the Executive Directors.
- To review annually the Executive Directors' service contracts.

5. Reporting Procedures

- The remuneration of directors shall ultimately be the responsibility of the full Board after considering the recommendations of the Committee.
- Directors do not participate in decisions concerning their own remuneration packages.

ACTIVITIES OF THE REMUNERATION COMMITTEE

The Committee met on 24 February 2006 after the close of the financial year ended 31 December 2005 to review the remuneration packages of Executive Directors of the Company as well as directors' fees for financial year 2005.

report of the remuneration committee (cont'd)

DIRECTORS' REMUNERATION

Details of directors' remuneration for the financial year ended 31 December 2005 are set out below:

Remuneration	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Directors' fees*	90,000	133,300	223,300
Salaries and other emoluments	1,257,399	-	1,257,399
Bonus	222,250	-	222,250
Benefits-in-kind	72,950	-	72,950
Total	1,642,599	133,300	1,775,899

* To be approved at the forthcoming Annual General Meeting (the directors' fees is for the period from January 2005 to December 2005).

The number of directors whose total remuneration during the financial year ended 31 December 2005 fall within the following bands is as follows:

Range of remuneration (RM)	Executive Director	Non-Executive Director
Below 50,000	-	4
250,001 - 300,000	1	-
550,001 - 600,000	1	-
800,001 - 850,000	1	-
Total	3	4

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 2005.

COMPOSITION OF NOMINATION COMMITTEE

The Nomination Committee consists of three (3) members, all of whom are Independent Non-Executive Directors. The committee members are as follows:

Director	Position
Dato' Haji Johar bin Murat @ Murad	Chairman of Nomination Committee & Independent Non-Executive Director
Dato' Hamzah bin Mohd Salleh	Independent Non-Executive Director
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 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.

3. Functions

The functions of the Committee shall be:

- Proposing new nominees for appointment to the Board of Directors.
- Assessing directors on an on-going basis, the effectiveness of the Board and the contribution of each individual director.
- Recommend to the Board, directors to fill the seats on other Board committees.
- Review annually the mix of skills and experience and other qualities of the Board members.

report of the nomination committee (cont'd)

TERMS OF REFERENCE OF NOMINATION COMMITTEE (CONT'D)

3. Functions (cont'd)

- Orientating and educating new directors as to the nature of the business, current issues within the Group, corporate strategies as well as expectations of the Company concerning input from directors and the general responsibilities of directors.

4. Re-election of Directors and 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.

The re-election of directors and retirement of directors by rotation are under the purview of the Nomination Committee.

5. Reporting Procedures

- The actual decision as to who shall be appointed to the Board is 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 on 24 February 2006 after the close of the financial year ended 31 December 2005 to assess the effectiveness and performance of the Board as a whole. The Committee further determined which directors would stand for re-election at the Company's forthcoming Annual General Meeting.

In addition, the Committee proposed to the Board the appointment of Chua Carmen as an Independent Non-Executive Director of the Company. The appointment was effected on 6 March 2006.

financial statements

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directors' report

for the year ended 31 December 2005

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 2005.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of 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	5,782	2,990

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.

DIVIDENDS

Since the end of the previous financial year, the Directors paid a final dividend of 5.2% (2.6 sen per share) tax exempt totalling RM2,340,000 and 1.1% (0.55 sen per share) less tax totalling RM356,400 in respect of the year ended 31 December 2004 on 28 July 2005.

The Directors recommended final dividends of 5.0% (2.5 sen per share) tax exempt totalling RM2,250,000 and 1.0% (0.5 sen per share) less tax totalling RM324,000 in respect of the year ended 31 December 2005.

DIRECTORS OF THE COMPANY

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

Dato' Lim Heen Peok
 Cheah Eng Chuan
 Lee Sim Hak
 Ong Lock Hoo
 Dato' Hamzah Bin Mohd Salleh
 Dato' Johar Bin Murat @ Murad
 Lim Chee Hoong
 Chua Carmen (appointed on 6.3.2006)

directors' report

for the year ended 31 December 2005 (cont'd)

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 1.1.2005	Bought	Sold	At 31.12.2005
Shareholdings in which Directors have direct interests in the Company:				
Cheah Eng Chuan	12,632,098	642,500	-	13,274,598
Lee Sim Hak	2,410,801	-	-	2,410,801
Ong Lock Hoo	4,474,512	49,400	-	4,523,912
Dato' Hamzah Bin Mohd Salleh	5,789,000	-	(5,639,000)	150,000
Shareholdings in which a Director has indirect interest in the Company:				
Cheah Eng Chuan	22,500,002	-	-	22,500,002

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2005	Granted	Exercised	At 31.12.2005
Cheah Eng Chuan	500,000	-	-	500,000
Lee Sim Hak	300,000	-	-	300,000
Ong Lock Hoo	300,000	-	-	300,000
Dato' Hamzah Bin Mohd Salleh	-	100,000	-	100,000
Dato' Johar Bin Murat @ Murad	-	100,000	-	100,000
Lim Chee Hoong	-	100,000	-	100,000

By virtue of their interests in the shares of the Company, Cheah Eng Chuan, Lee Sim Hak, Ong Lock Hoo and Dato' Hamzah Bin Mohd Salleh 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 Directors holding office at 31 December 2005 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.

directors' report

for the year ended 31 December 2005 (cont'd)

DIRECTORS' BENEFITS(CONT'D)

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 apart from the issue of options pursuant to the Employees' Share Option Scheme.

ISSUE OF SHARES AND DEBENTURES

There were no 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 apart from the issue of options pursuant to the Employees' Share Option Scheme ("ESOS").

At an Extraordinary General Meeting held on 28 June 2004, the Company's shareholders approved the establishment of an ESOS of not more than 10% of the issued share capital of the Company, to eligible Directors and employees of the Group.

The Company has been granted exemption by the Companies' Commission of Malaysia ("CCM") from having to disclose the names of options holders who have been granted options in aggregate of less than 200,000 options.

The names of option holders and their respective number of options granted, which in aggregate are 200,000 options or more are as follows:

Name of option holders granted	Number of shares
Cheah Eng Chuan	500,000
Lee Sim Hak	300,000
Ong Lock Hoo	300,000
Chan Kwong Pooi	200,000
Lai Kong Meng	200,000
Lee Hon Yip	200,000
Tan Wah Ching	200,000

The options offered to take up unissued ordinary shares of RM0.50 each and the option prices are as follows:

Date of offer	Option Price	Number of options over ordinary shares of RM0.50 each				Balance at 31.12.2005
		Balance at 1.1.2005	Granted	Exercised	Lapsed	
7.9.2004	RM1.21	5,688,100	-	-	(755,300)	4,932,800
1.12.2005	RM0.50	-	2,117,900	-	-	2,117,900
						<u>7,050,700</u>

The salient features of the scheme are as follows:

- Eligible employees are employees who are at least eighteen (18) years of age on date of offer, are employed and confirmed as full-time employees by a company within the Group (except for Non-Executive Directors) on date of offer, and in the case of non-Malaysians, have been confirmed in writing as full-time employees of the Group for at least one year prior to date of the offer.

directors' report

for the year ended 31 December 2005 (cont'd)

OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)

The salient features of the scheme are as follows: (cont'd)

- ii) The option is personal to the grantee and is non-assignable.
- iii) The aggregate number of shares to be issued under ESOS shall not exceed 10% of the issued and paid-up ordinary share capital of the Company at any one time whereby:
 - a. not more than 50% of new shares of the Company available under ESOS should be allocated to eligible employees who are Directors and members of senior management of the Group; and
 - b. not more than 10% of new shares of the Company available under ESOS should be allocated to any eligible employee, who either individually or collectively, through persons connected with him/her, holds 20% or more of the issued and paid-up ordinary share capital of the Company.
- iv) The ESOS shall be in force for a period of five (5) years from the effective date of the implementation of the ESOS and the options granted may be exercised at any time within a period of five (5) years from the date of offer of the option or such shorter period as may be specifically stated in the offer upon giving notice in writing.
- v) The option price shall be determined by the Options Committee, which is at a discount of not more than 10% or as allowed by relevant authorities from the weighted average market quotation of the Company's ordinary shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the five (5) trading days preceding the respective dates of the offer in writing to the grantee or at the par value of the ordinary shares of the Company, whichever is higher.
- vi) The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of 100 shares.

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.

directors' report

for the year ended 31 December 2005 (cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

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 their 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 2005 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: 24 April 2006

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 41 to 71 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 2005 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: 24 April 2006

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 41 to 71 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 24 April 2006.

CHEAH ENG CHUAN

Before me:

BARATHAN A/L SINNIHAH @ CHINNIAH; AMN, PJK

Commissioner of Oaths (No. W202)

Kuala Lumpur

report of the auditors

to the members of Furniweb Industrial Products Berhad

We have audited the financial statements set out on pages 41 to 71. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 2005 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: 2011/12/07(J)

Kuala Lumpur,

Date: 24 April 2006

balance sheets

at 31 December 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Property, plant and equipment	2	38,640	33,407	-	-
Investments in subsidiaries	3	-	-	40,519	40,519
Investment in a jointly controlled entity	4	1,002	1,118	-	-
Other investments	5	38	50	-	-
Goodwill on consolidation	6	690	729	-	-
		40,370	35,304	40,519	40,519
Current assets					
Inventories	7	22,668	19,823	-	-
Trade and other receivables	8	19,505	18,117	10,559	9,080
Tax recoverable		631	315	15	8
Cash and cash equivalents	9	8,638	12,337	1,506	2,908
		51,442	50,592	12,080	11,996
Current liabilities					
Trade and other payables	10	9,659	11,774	3,929	4,133
Borrowings	11	9,207	8,352	-	-
Taxation		35	193	-	-
		18,901	20,319	3,929	4,133
Net current assets		32,541	30,273	8,151	7,863
		72,911	65,577	48,670	48,382
Financed by:					
Shareholders' equity					
Share capital	12	45,000	45,000	45,000	45,000
Reserves	13	15,406	12,513	3,676	3,382
Treasury shares	14	(6)	-	(6)	-
		60,400	57,513	48,670	48,382
Minority shareholders' interests	15	4,627	3,620	-	-
Long term and deferred liabilities					
Borrowings	11	5,958	2,594	-	-
Deferred tax liabilities	16	1,926	1,850	-	-
		7,884	4,444	-	-
		72,911	65,577	48,670	48,382

The financial statements were approved and authorised for issue by the Board of Directors on 24 April 2006.

The notes set out on pages 47 to 71 form an integral part of, and should be read in conjunction with, these financial statements.

income statements

for the year ended 31 December 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue		76,712	69,931	3,012	3,051
Cost of sales		(56,108)	(47,874)	-	-
Gross profit		20,604	22,057	3,012	3,051
Distribution and selling expenses		(2,854)	(3,031)	-	-
Administration expenses		(9,803)	(8,452)	(288)	(228)
Other operating expenses		(1,079)	(392)	(42)	-
Other operating income		675	917	-	-
Operating profit	18	7,543	11,099	2,682	2,823
Interest expense	20	(1,072)	(948)	-	-
Interest income		142	130	399	422
Share of profit in a jointly controlled entity		318	485	-	-
Profit before taxation		6,931	10,766	3,081	3,245
Tax - Company and subsidiaries		(993)	(1,692)	(91)	(197)
- Jointly controlled entity		(15)	-	-	-
Tax expense	21	(1,008)	(1,692)	(91)	(197)
Profit after taxation		5,923	9,074	2,990	3,048
Less: Minority interests		(141)	(650)	-	-
Net profit for the year		5,782	8,424	2,990	3,048
Basic earnings per share (net) - (sen)	22	6.4	9.4		
Diluted earnings per share (net) - (sen)	22	-	9.3		
Dividend per ordinary share (net) - (sen)	23	2.9	3.0	2.9	3.0

The notes set out on pages 47 to 71 form an integral part of, and should be read in conjunction with, these financial statements.

statements of changes in equity

for the year ended 31 December 2005

Group	Note	Share capital RM'000	Treasury shares RM'000	Non-distributable		Distributable	Total RM'000
				Share premium RM'000	Translation reserve RM'000	Retained profits RM'000	
At 1 January 2004		40,000	-	5,330	157	4,831	50,318
Issuance of shares for bonus issue		5,000	-	(5,000)	-	-	-
		45,000	-	330	157	4,831	50,318
Exchange differences on translation of the financial statements of foreign entities		-	-	-	23	-	23
Share issuance expenses		-	-	(52)	-	-	(52)
Net gain or loss not recognised in the income statement		-	-	(52)	23	-	(29)
Net profit for the year		-	-	-	-	8,424	8,424
Dividend paid - 2003 final	23	-	-	-	-	(1,200)	(1,200)
At 31 December 2004		45,000	-	278	180	12,055	57,513
		Note 12				Note 13	
At 1 January 2005		45,000	-	278	180	12,055	57,513
Share repurchased		-	(6)	-	-	-	(6)
		45,000	(6)	278	180	12,055	57,507
Exchange differences on translation of the financial statements of foreign entities		-	-	-	(193)	-	(193)
Net loss not recognised in the income statement		-	-	-	(193)	-	(193)
Net profit for the year		-	-	-	-	5,782	5,782
Dividend paid - 2004 final	23	-	-	-	-	(2,696)	(2,696)
At 31 December 2005		45,000	(6)	278	(13)	15,141	60,400
		Note 12	Note 14			Note 13	

statements of changes in equity

for the year ended 31 December 2005 (cont'd)

Company	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Distributable Retained profits RM'000	Total RM'000
At 1 January 2004		40,000	-	5,330	1,256	46,586
Issuance of shares for bonus issue		5,000	-	(5,000)	-	-
Share issuance expenses		-	-	(52)	-	(52)
		45,000	-	278	1,256	46,534
Net profit for the year		-	-	-	3,048	3,048
Dividend paid - 2003 final	23	-	-	-	(1,200)	(1,200)
At 31 December 2004		45,000	-	278	3,104	48,382
		Note 12			Note 13	
At 1 January 2005		45,000	-	278	3,104	48,382
Shares repurchased		-	(6)	-	-	(6)
Net profit for the year		-	-	-	2,990	2,990
Dividend paid - 2004 final	23	-	-	-	(2,696)	(2,696)
At 31 December 2005		45,000	(6)	278	3,398	48,670
		Note 12	Note 14		Note 13	

The notes set out on pages 47 to 71 form an integral part of, and should be read in conjunction with, these financial statements.

cash flow statements

for the year ended 31 December 2005

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash flows from operating activities				
Profit before taxation	6,931	10,766	3,081	3,245
Adjustments for:				
Amortisation of goodwill	39	38	-	-
Depreciation	3,866	3,484	-	-
Interest expense	1,072	948	-	-
Interest income	(142)	(130)	(399)	(422)
Gain on disposal of property, plant and equipment	(85)	(167)	-	-
Allowance/(reversal of allowance) for diminution in investments	12	(17)	-	-
Share of profit in a jointly controlled entity	(318)	(485)	-	-
Unrealised loss/(gain) on foreign exchange	143	(23)	42	-
Operating profit before working capital changes	11,518	14,414	2,724	2,823
Changes in working capital:				
Inventories	(2,845)	(4,599)	-	-
Trade and other receivables	(1,513)	(2,472)	(93)	(1)
Trade and other payables	(243)	(215)	15	10
Cash generated from operations	6,917	7,128	2,646	2,832
Income taxes paid	(1,391)	(2,235)	(98)	(227)
Net cash generated from operating activities	5,526	4,893	2,548	2,605
Cash flows from investing activities				
Dividends received from a jointly controlled entity	401	149	-	-
Withdrawals of pledged deposits	124	456	-	-
Shares issuance expenses paid	-	(52)	-	(52)
Purchase of property, plant and equipment (net of exchange differences)	(9,249)	(4,017)	-	-
Proceeds from disposal of property, plant and equipment	235	710	-	-
Proceeds from minority shareholders	866	1,295	-	-
Interest income received	142	130	399	422
Purchase of own shares	(6)	-	(6)	-
Net cash (used in)/generated from investing activities	(7,487)	(1,329)	393	370

cash flow statements

for the year ended 31 December 2005 (cont'd)

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash flows from financing activities				
Dividend paid	(2,696)	(1,200)	(2,696)	(1,200)
Advances to subsidiaries (net)	-	-	(1,647)	(1,776)
Interest expense paid	(1,072)	(948)	-	-
Repayments to Directors	(1,872)	(1,378)	-	-
Proceeds from loans	6,664	-	-	-
Repayments of loans and other borrowings	(1,864)	(1,106)	-	-
Repayments of hire purchase liabilities	(581)	(302)	-	-
Net cash used in financing activities	(1,421)	(4,934)	(4,343)	(2,976)
Exchange differences on translation of the financial statements of foreign entities	(193)	23	-	-
Net decrease in cash and cash equivalents	(3,575)	(1,347)	(1,402)	(1)
Cash and cash equivalents at beginning of year	12,100	13,447	2,908	2,909
Cash and cash equivalents at end of year	8,525	12,100	1,506	2,908
Cash and cash equivalents				
Cash and bank balances	6,033	10,079	1,506	2,908
Deposits placed with licensed banks	2,605	2,258	-	-
	8,638	12,337	1,506	2,908
Less: Deposits pledged	(113)	(237)	-	-
	8,525	12,100	1,506	2,908

The notes set out on pages 47 to 71 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 are consistent with those adopted in previous years.

(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.

(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 twenty (20) years.

notes to the financial statements

(cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property, plant and equipment

Freehold land and capital work-in-progress 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 and capital work-in-progress are not amortised. Leasehold land are amortised in equal instalments over the remaining 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% - 25%
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. An allowance is made when the Directors are of the view that there is a diminution in their value, which is other than temporary.

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.

(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 pledged deposits.

notes to the financial statements

(cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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) Share capital

Repurchase of shares

When shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are reclassified as treasury shares and presented as a deduction from total equity.

(n) 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.

notes to the financial statements

(cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Income tax (cont'd)

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.

(o) Employee benefits

(i) Short term employee benefits

Wages, salaries and bonuses are recognised as expense in the year in which the associated services are rendered by the employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

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

(iii) Equity and equity-related compensation benefits

The share option programme allows Group employees to acquire shares of the Company. When the options are exercised, equity is increased by the amount of the proceeds received.

(p) 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.

notes to the financial statements

(cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Foreign currency (cont'd)

(ii) Financial statements of foreign operations (cont'd)

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

VND1,000	RM0.24	(2004:	VND1,000	RM0.24)
USD1	RM3.78	(2004:	USD1	RM3.80)
EURO1	RM4.48	(2004:	EURO1	RM5.17)
Yen100	RM3.21	(2004:	Yen100	RM3.69)
AUD1	RM2.77	(2004:	AUD1	RM2.91)

(q) 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.

(r) Expenses

Interest expense

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

(cont'd)

2. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Leasehold land	Buildings	Plant and machineries	Furniture and office equipment	Motor vehicles	Capital work-in progress	Total
Cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January								
2005	1,009	2,242	12,371	33,224	1,942	2,899	780	54,467
Additions	-	2,624	2,221	3,409	186	227	812	9,479
Disposals	-	-	-	(51)	(8)	(270)	-	(329)
Exchange differences	-	-	(95)	(186)	(7)	(8)	-	(296)
Transfers	-	-	780	-	-	-	(780)	-
At 31 December								
2005	1,009	4,866	15,277	36,396	2,113	2,848	812	63,321
Accumulated depreciation								
At 1 January								
2005	-	525	2,022	16,149	1,331	1,033	-	21,060
Charge for the year	-	48	396	2,936	172	314	-	3,866
Disposals	-	-	-	(40)	(4)	(135)	-	(179)
Exchange differences	-	-	(9)	(53)	(2)	(2)	-	(66)
At 31 December								
2005	-	573	2,409	18,992	1,497	1,210	-	24,681
Net book value								
At 31 December								
2005	1,009	4,293	12,868	17,404	616	1,638	812	38,640
At 31 December								
2004	1,009	1,717	10,349	17,075	611	1,866	780	33,407
Depreciation charge for the year ended 31 December 2004	-	47	327	2,643	158	309	-	3,484

Motor vehicles held in trust

Included in the property, plant and equipment of the Group are motor vehicles with a net book value of RM134,148 (2004 - RM167,336) registered under the name of certain Directors of the Company and a subsidiary, namely Cheah Eng Chuan, Lai Kong Meng and Chan Kwong Pooi who hold the motor vehicles in trust for the Group.

Security

Certain leasehold land and buildings of the Group with a net book value RM7,590,000 (2004 - RM7,764,000) are charged to banks as security for bank facilities granted to the Group (see Note 11).

The title for a freehold land of a subsidiary amounting to RM1,009,000 was obtained during the year.

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 RM1,361,352 (2004 - RM2,513,000).

notes to the financial statements

(cont'd)

3. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005 RM'000	2004 RM'000
Unquoted shares - at cost	40,519	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	
			2005 %	2004 %
Furniweb Manufacturing Sdn. Bhd.	Manufacture and sale of upholstery webbings, covered elastic yarn and rigid webbings	Malaysia	100	100
Texstrip Manufacturing Sdn. Bhd.	Manufacture and marketing of rubber strips and sheets	Malaysia	100	100
Webtex Trading Sdn. Bhd.	Trading of machinery and accessories and acts as commission agent	Malaysia	100	100
Premier Gesture Sdn. Bhd.	Investment holding company	Malaysia	100	100
Premier Elastic Webbing and Accessories (Vietnam) Co. Ltd.*	Manufacture and sale of narrow fabrics	Vietnam	100	100
First Elastic Corporation (M) Sdn. Bhd.**	Manufacture and sale of narrow fabrics	Malaysia	100	100
Furniweb Manufacturing (Vietnam) Co. Ltd.*	Manufacture and sale of upholstery webbings and covered elastic yarn	Vietnam	100	100
Furniweb-VOA Safety Webbing Sdn. Bhd.***	Manufacture and sale of safety webbing	Malaysia	60	60
Syarikat Sri Kepong Sdn. Bhd.***	Property holding company	Malaysia	100	100
Furnitech Components (Vietnam) Co. Ltd.**	Manufacture and sale of metal components for furniture industry	Vietnam	60	60

* Audited by a member firm of KPMG International

** Audited by other firms of chartered accountants

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

notes to the financial statements

(cont'd)

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:

	2005 RM'000	2004 RM'000
Non-current assets	424	424
Current assets	1,012	1,110
Current liabilities	(434)	(416)
Net assets	1,002	1,118
Income	2,151	2,172
Expenses	(1,848)	(1,687)
	303	485

Details of the jointly controlled entity are as follows:

Name	Principal activities	Proportion of ownership interest	
		2005 %	2004 %
Trunet (Vietnam) Co. Ltd.*	Manufacture and sale of meat netting	50	50

* Audited by a member firm of KPMG International

5. OTHER INVESTMENTS

	2005 RM'000	Group 2004 RM'000
Non-current		
Quoted shares in Malaysia - at cost	148	148
Less: Allowance for diminution in value	(110)	(98)
	38	50

The market value of the quoted shares is RM38,145 (2004 - RM50,190).

notes to the financial statements

(cont'd)

6. GOODWILL ON CONSOLIDATION

	Group 2005 RM'000
Cost	
At 1 January/31 December	767
Accumulated amortisation	
At 1 January	38
Amortisation charge for the year	39
At 31 December	77
Net book value	
At 31 December 2005	690
At 31 December 2004	729
Amortisation charge for the year ended 31 December 2004	38

7. INVENTORIES

	Group	
	2005 RM'000	2004 RM'000
At cost:		
Raw material	9,869	7,698
Work-in-progress	3,860	4,375
Manufactured inventories	8,364	7,215
Other consumables	575	535
	22,668	19,823

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade receivables	16,125	14,303	-	-
Other receivables, deposits and prepayments	2,965	3,474	52	1
Amount due from a jointly controlled entity (trade)	415	340	1	1
Amount due from subsidiaries (non-trade)	-	-	10,506	9,078
	19,505	18,117	10,559	9,080

notes to the financial statements

(cont'd)

8. TRADE AND OTHER RECEIVABLES (CONT'D)

Other receivables, deposits and prepayments

Included in other receivables, deposits and prepayments of the Group are:

- (i) deposits amounting to RM622,486 (2004 - RM618,000) in respect of property, plant and equipment of a subsidiary;
- (ii) an amount of Nil (2004 - RM630,000), which was in respect of the balance of the sale consideration of freehold land and building of a subsidiary disposed in 2004; and
- (iii) prepayments made by a subsidiary for industrial land amounting to Nil (2004 - RM252,000).

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 in respect advances, which are unsecured, have no fixed terms of repayment and interest free except for an amount of RM4,218,000 (2004 - RM6,309,000), which bears interest at 7% (2004 - 7%) per annum (see Note 29).

9. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash and bank balances	6,033	10,079	1,506	2,908
Deposits placed with licensed banks	2,605	2,258	-	-
	8,638	12,337	1,506	2,908

Included in the Group's deposits placed with licensed banks is an amount of RM113,000 (2004 - RM237,000) pledged for credit facilities granted to the Group.

10. TRADE AND OTHER PAYABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade payables	5,148	4,374	-	-
Other payables and accrued expenses	3,448	4,465	68	53
Amount due to Directors (non-trade)	1,063	2,935	-	-
Amount due to a subsidiary (non-trade)	-	-	3,861	4,080
	9,659	11,774	3,929	4,133

notes to the financial statements

(cont'd)

10. TRADE AND OTHER PAYABLES (CONT'D)

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 a subsidiary

The amount due to a subsidiary is in respect of monies due in relation to the purchase of a subsidiary in the previous years, which are unsecured, interest free and have no fixed terms of repayment.

Other payables

Included in other payables and accrued expenses of the Group in the previous year was an amount due to a former Director of a subsidiary amounting to RM236,000, which was in respect of advances. The amount was unsecured, carried an interest at 4% per annum and had no fixed terms of repayment.

11. BORROWINGS

	Group	
	2005	2004
	RM'000	RM'000
Current		
Term loans (secured)	1,953	1,861
Trade bills	6,938	5,849
Hire purchase liabilities	316	642
	9,207	8,352
Non-current		
Term loans (secured)	5,507	1,888
Hire purchase liabilities	451	706
	5,958	2,594

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 (see Note 25);
- iv) fixed deposits principal amounting to RM113,000 (2004 - RM237,000);
- v) bank guarantee amounting to RM1,500,000 (2004 - Nil); and
- vi) a pledge in favour of a third party, the entire issued and fully paid-up share capital of a fully-owned subsidiary, Premier Gesture Sdn. Bhd.

notes to the financial statements

(cont'd)

11. BORROWINGS (CONT'D)

Terms and debt repayment schedule

	Total RM'000	Within 1 year RM'000	1-5 years RM'000
Term loans at 4.80% to 7.75% (2004 - 4.60% to 7.50%)	7,460	1,953	5,507
Trade bills variable at 2.0% (2004 - 3.0%)	6,938	6,938	-
Hire purchase liabilities fixed at 3.65% to 5.20% (2004 - 3.65% to 5.20%)	767	316	451
	15,165	9,207	5,958

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:

Group	Payments 2005 RM'000	Interest 2005 RM'000	Principal 2005 RM'000	Payments 2004 RM'000	Interest 2004 RM'000	Principal 2004 RM'000
	Less than one year	359	43	316	714	72
Between one and five years	483	32	451	782	76	706
	842	75	767	1,496	148	1,348

12. SHARE CAPITAL

	Company	
	2005 RM'000	2004 RM'000
Ordinary shares of RM0.50 each:		
Authorised		
At 1 January/31 December	100,000	100,000
Issued and fully paid:		
At 1 January	45,000	40,000
Increased during the year		
- Bonus issue	-	5,000
At 31 December	45,000	45,000

notes to the financial statements

(cont'd)

12. SHARE CAPITAL (CONT'D)

At an Extraordinary General Meeting held on 28 June 2004, the shareholders of the Company approved a bonus issue of 10,000,000 new ordinary shares of RM0.50 each to be credited as fully paid-up ordinary shares on the basis of one (1) new ordinary share for every eight (8) existing fully paid up ordinary shares held. The bonus issue of 10,000,000 new ordinary shares of RM0.50 each was allotted on 23 August 2004 and credited as fully paid ordinary shares via capitalisation from the Company's share premium account of RM5,000,000.

13. RESERVES

Retained profits

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank up to RM826,000 of its distributable reserves at 31 December 2005, if paid out as dividends.

14. TREASURY SHARES

At an Extraordinary General Meeting held on 27 June 2005, the shareholders of the Company approved the Company's plan to purchase its own shares.

Subsequent to that, the Company purchased 12,500 of its issued shares from the open market at the average price of RM0.49 per ordinary share. The repurchase transactions were financed by internal funds. As at 31 December 2005, the total number of shares bought was 12,500 shares, which are being held as treasury shares in accordance with the requirement of Section 67A of the Company Act, 1965. Treasury shares are carried at cost and have no rights to voting, dividends and participation in other distribution.

15. 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.

16. DEFERRED TAX LIABILITIES

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deferred tax liabilities	1,926	1,850	-	-

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:

notes to the financial statements

(cont'd)

16. DEFERRED TAX LIABILITIES (CONT'D)

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Property, plant and equipment				
- capital allowances	1,178	1,032	-	-
- revaluation	907	934	-	-
Provisions	(159)	(116)	-	-
	<u>1,926</u>	<u>1,850</u>	<u>-</u>	<u>-</u>

17. EMPLOYEE BENEFITS

Equity compensation benefits

Employees' Share Option Scheme

The Group offers vested share options over ordinary shares to Directors and other employees with more than one year of service. Movements in the number of share options held by employees are as follows:

	Group and Company	
	2005 '000	2004 '000
Outstanding at 1 January	5,688	-
Issued	2,118	5,798
Lapsed	(755)	(110)
Outstanding at 31 December	<u>7,051</u>	<u>5,688</u>

Details of share options granted during the year:

	2005	2004
Expiry	7 September 2009	7 September 2009
Exercise price per ordinary share (RM)	0.50	1.21
Aggregate proceeds if shares are issued (RM'000)	1,059	6,882

Terms of the options outstanding at 31 December 2005:

Expiry date	Exercise price	Number
7 September 2009	RM0.50	2,117,900
7 September 2009	RM1.21	4,932,800
		<u>7,050,700</u>

notes to the financial statements

(cont'd)

18. OPERATING PROFIT

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Operating profit is arrived at after charging:				
Amortisation of goodwill	39	38	-	-
Allowance for doubtful debts	9	280	-	-
Allowance for diminution in value of investment	12	-	-	-
Auditors' remuneration	145	149	16	15
Depreciation (Note 2)	3,866	3,484	-	-
Directors' emoluments				
- remuneration	2,119	1,770	-	-
- fees	223	180	133	90
Inventories written off	110	246	-	-
Loss on foreign exchange (realised)	479	312	-	-
Loss on foreign exchange (unrealised)	143	-	42	-
Rental of premises	629	334	-	-
and after crediting:				
Allowance for doubtful debts written back	18	165	-	-
Dividend income from unquoted shares of:				
- subsidiaries	-	-	2,921	2,961
- a jointly controlled entity	401	149	-	-
Gain on disposal of property, plant and equipment	85	167	-	-
Gain on foreign exchange (unrealised)	-	23	-	-
Rental income	95	33	-	-
Reversal of allowance for diminution in value of investments	-	17	-	-

19. EMPLOYEE INFORMATION

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Defined contribution plan - EPF	847	706	-	-
Other staff costs (including Directors' emoluments)	10,974	9,348	-	-
	11,821	10,054	-	-

The number of employees of the Group and Company (including Directors) at the end of the year was 954 and Nil (2004 - 776 and Nil) respectively.

20. INTEREST EXPENSE

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Term loans	396	226	-	-
Trade bills	596	549	-	-
Hire purchase liabilities	78	139	-	-
Bank overdrafts`	2	25	-	-
Others	-	9	-	-
	1,072	948	-	-

notes to the financial statements

(cont'd)

21. TAX EXPENSE

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Current tax expense				
- Current year provision	878	1,794	91	210
- Under/(over) provision in prior years	54	(177)	-	(13)
	932	1,617	91	197
Deferred tax expense				
- Origination and reversal of temporary differences	99	98	-	-
- Reversal of deferred tax liabilities on crystallisation of revaluation reserves	(23)	(23)	-	-
	1,008	1,692	91	197

Reconciliation of effective tax expense

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Profit before taxation	6,931	10,766	3,081	3,245
Income tax using Malaysian tax rate	1,941	3,014	863	909
Effects of different tax rates in foreign jurisdictions	(623)	(685)	-	-
Effect of using different tax rate for chargeable income of up to RM500,000 (2004 - RM500,000) of certain subsidiaries	(80)	(101)	-	-
Non deductible expenses	130	393	-	13
Tax incentives	(200)	(275)	-	-
Tax exempt income	(224)	(400)	(772)	(712)
Reversal of deferred tax liabilities on crystallisation of revaluation reserves of property, plant and equipment	(23)	(23)	-	-
Other items	31	(54)	-	-
	952	1,869	91	210
Under/(over) provision in prior years	56	(177)	-	(13)
	1,008	1,692	91	197

notes to the financial statements

(cont'd)

22. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders for the year of RM5,782,000 (2004 - RM8,424,000) and the weighted average number of ordinary shares outstanding during the year of 89,999,658 (2004 - 90,000,000), which is calculated as follows:

	2005	2004
Net profit attributable to ordinary shareholders (RM'000)	5,782	8,424
<i>Weighted average number of ordinary shares</i>		
Issued ordinary shares at beginning of year	90,000,000	80,000,000
Effects of bonus issue	-	10,000,000
Effect of shares repurchased	(342)	-
Weighted average number of ordinary shares	89,999,658	90,000,000

Diluted earnings per share

The diluted earnings per share for 2005 is not shown as the exercise price of options under ESOS is higher than the Company's share price at balance sheet date.

In 2004, the calculation of diluted earnings per share was based on the net profit attributable to ordinary shareholders of RM8,424,000 and the weighted average number of ordinary shares outstanding during the year of 90,743,994, which was calculated as follows:

Weighted average number of ordinary shares (diluted)

	2005	2004
Weighted average number of ordinary shares	-	90,000,000
Effect of ESOS granted but not exercised	-	743,994
Weighted average number of ordinary shares (diluted)	-	90,743,994

23. DIVIDEND PER ORDINARY SHARE

	Group and Company	
	2005	2004
	RM'000	RM'000
Ordinary		
Final paid:		
2004		
5.2% (2.5 sen per share) (2003 - 3.0% 1.5 sen per share)		
tax exempt	2,340	1,200
1.1% (0.55 sen per share) (2003 - Nil) less tax	356	-
	2,696	1,200

notes to the financial statements

(cont'd)

23. DIVIDEND PER ORDINARY SHARE (CONT'D)

The proposed final dividends of 5.0% (2.5 sen per share) tax exempt totalling RM2,250,000 and 1.0% (0.5 sen per share) less tax totalling RM324,000 have not been accounted for in the financial statements. The net dividends per ordinary share as disclosed in the Income Statement takes into account the proposed final dividend for the financial year.

24. OPERATING LEASES

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

	Group	
	2005 RM'000	2004 RM'000
Due within one year	440	299
Between one to five years	1,719	1,064
More than five years	13,218	9,110
	<hr/>	<hr/>
	15,377	10,473

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.

25. CORPORATE GUARANTEES

The Company has extended corporate guarantees in favour of third parties for banking and credit facilities granted to its subsidiaries amounting to RM46,747,000 (2004 - RM43,166,000).

26. COMMITMENTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Capital commitments:				
Property, plant and equipment				
Contracted but not accounted				
for in financial statements	2,570	2,274	-	-

The capital commitment for year 2005 is in respect of balance of monies payable for purchase of machineries by a subsidiary.

The capital commitment for year 2004 was in respect of balance of monies payable to a third party on purchase consideration of an industrial land by a subsidiary.

27. 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

(cont'd)

27. RELATED PARTIES (CONT'D)

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<i>With subsidiaries:</i>				
Management fees charged	-	-	91	90
Dividends receivable	-	-	2,921	2,961
Interest received	-	-	363	379
<i>With jointly controlled entity:</i>				
Dividend received/receivable	401	149	-	-
<i>With a joint venture partner:</i>				
Trunature Limited				
Sales	531	600	-	-
<i>With a company in which a director of a subsidiary has interest:</i>				
Ningbo Yong Ao Metal Products Co Ltd.				
Purchases	213	-	-	-
Firstex Knitting Sdn. Bhd.				
Rental	180	180	-	-

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.

28. 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.

notes to the financial statements

(cont'd)

28. SEGMENTAL INFORMATION (CONT'D)

Business segments

The Group comprises the following main business segments:

Webbing, yarn and furniture components	The manufacture and sale of upholstery webbings, covered elastic yarn, rigid webbings, safety webbing and metal components for the furniture industry
Rubber strips and fabrics	The manufacture and marketing of rubber strips and narrow fabrics
Others	Acting as property holding company and trading and commission agent

Geographical segments

The upholstery webbings, 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 whereas the metal components segment is in Vietnam.

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

	Webbing, yarn and furniture components		Rubber strips and fabrics		Others		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000

Business segments

Revenue from external customers	53,660	48,242	21,213	19,927	1,839	1,762	-	-	76,712	69,931
Inter-segment revenue	3,819	2,522	293	95	207	2,395	(4,319)	(5,012)	-	-
Total revenue	57,479	50,764	21,506	20,022	2,046	4,157	(4,319)	(5,012)	76,712	69,931
Segment result	5,910	8,631	1,740	2,381	(69)	125	(38)	(38)	7,543	11,099
Operating profit									7,543	11,099
Interest expense									(1,072)	(948)
Interest income									142	130
Share of profit in jointly controlled entity									318	485
Profit before taxation									6,931	10,766
Tax expense									(1,008)	(1,692)
Minority interest									(141)	(650)
Net profit for the year									5,782	8,424

notes to the financial statements

(cont'd)

28. SEGMENTAL INFORMATION (CONT'D)

	Webbing, yarn and furniture components		Rubber strips and fabrics		Others		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	61,603	55,080	25,010	24,532	3,507	4,437	-	-	90,120	84,049
Investment in a jointly controlled entity	1,002	1,118	-	-	-	-	-	-	1,002	1,118
	62,605	56,198	25,010	24,532	3,507	4,437	-	-	91,122	85,167
Unallocated assets									690	729
Total assets									91,812	85,896
Segment liabilities	19,759	16,717	4,150	5,137	148	257	801	801	24,858	22,913
Unallocated liabilities									1,927	1,850
Total liabilities									26,785	24,763
Capital expenditure	7,830	3,045	1,649	1,103	-	-	-	-	9,479	4,148
Depreciation and amortisation	2,369	1,998	1,471	1,461	26	25	39	38	3,905	3,522

	Malaysia		Asia Pacific		Europe		Others		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000

Geographical Segments

Revenue from external customers by location of customers	32,621	27,473	21,139	22,039	13,281	12,876	13,990	12,555	(4,319)	(5,012)	76,712	69,931
Segment assets by location of assets	47,946	46,953	43,176	38,214	-	-	-	-	690	729	91,812	85,896
Capital expenditure by location of assets	3,278	1,981	6,201	2,167	-	-	-	-	-	-	9,479	4,148
Depreciation and amortisation	1,902	1,957	1,964	1,527	-	-	-	-	39	38	3,905	3,522

notes to the financial statements

(cont'd)

29. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Exposure to credit, interest rate, foreign currency 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 risks and they are summarised below.

Credit risk

Management has credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount and the Group regularly follows up on balances by receivables outstanding beyond their stipulated time threshold for payments. The Group does not require collateral in respect of financial assets.

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.

The Group borrows for operations at variable rates using its hire purchase, term loans and trade financing facilities. The Company charges interest on outstanding amounts due from its foreign subsidiaries at 7% (2004 - 7%) per annum, as disclosed in Note 8 to the financial statements.

Foreign currency risk

The Group incurs foreign currency risk on sales and purchases that are denominated in currencies other than Ringgit Malaysia. Approximately 59% (2004 - 63%) of the Group's sales are from export market and 78% (2004 - 59%) of the Group's purchases are sourced from overseas. Most of the foreign currency transactions are denominated in US Dollars (USD) and Vietnam Dong (VND).

The Group does not hedge these exposures by purchasing or selling forward currency contracts at present. However, the management keeps this policy under review. The transactions in other foreign currencies are insignificant. The Group ascertains that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

Liquidity risk

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

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.

notes to the financial statements

(cont'd)

29. FINANCIAL INSTRUMENTS (CONT'D)

Effective interest rates and repricing analysis (cont'd)

Group	2005			2004		
	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000
Financial assets						
Deposits placed with licensed banks	2.5	2,605	2,605	3.7	2,258	2,258
Financial liabilities						
Other payables	-	-	-	4.0	236	236
Term loans	5.8	7,460	7,460	6.4	3,749	3,749
Trade bills	8.2	6,938	6,938	8.5	5,849	5,849
		14,398	14,398		9,834	9,834

Company

Financial assets

Amount due from a subsidiary	7.0	4,218	4,218	7.0	6,309	6,309
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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 values of term loans with variable interest rate are considered to approximate their carrying amounts as the rates reprice in the event of changes in the market rate of return.

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

Group	2005		2004	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Shares quoted in Malaysia	38	38	50	50

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

notes to the financial statements

(cont'd)

30. ACQUISITION OF SUBSIDIARY IN THE PREVIOUS YEAR

On 6 July 2004, a fully-owned subsidiary of the Company, Furniweb Manufacturing (Vietnam) Co. Ltd. ("FMV") entered into a Shareholders' Agreement ('SA') to set up a private limited company in Vietnam with an authorised legal capital of USD5,000,000 (or equivalent to RM19,000,000), comprising 5,000,000 ordinary shares of USD1 each.

On 26 August 2004, FMV obtained approval from Dongnai Industrial Zone authority, Vietnam, to set up the abovementioned company, namely Furnitech Components (Vietnam) Co. Ltd. ("FCV"), in Vietnam with an issued and paid-up capital of USD1,900,000 (or equivalent to RM7,220,000), comprising 1,900,000 ordinary shares of USD1 each.

The full subscription of the shares in FCV would be funded by FMV and three (3) other partners to the SA above, Ningbo Yong Ao Metal Products Co. Ltd. (China), Shann Accessories Pty. Ltd. and Eastern Imports Pty. Ltd. (both Australia) on a 60 : 30 : 5 : 5 ratio respectively. Hence, the Group effectively acquired a 60% interest in FCV. The acquisition was accounted for using the acquisition method of accounting in the previous year.

For the year ended 31 December 2004, the subsidiary contributed a net loss of RM13,000 to the consolidated net profit.

Effects of acquisition

The acquisition of the subsidiary had the following effect on the Group's operating results, assets and liabilities as at 31 December 2004:

Income statement	Four-month period ended 31.12.2004 RM'000
Revenue	-
Cost of sales	-
Gross profit	-
Administration expenses	(32)
Other operating income	11
Operating loss	(21)
Tax expense	-
Loss after taxation	(21)
Minority interests' share of losses	8
Net loss for the year	(13)
Balance sheet	2004 RM'000
Property, plant and equipment	107
Current assets	2,609
Current liabilities	(145)
Minority interests	2,571
Increase in Group's net assets	(1,287)
	1,284

notes to the financial statements

(cont'd)

31. SIGNIFICANT EVENT DURING THE YEAR

On 27 September 2005, Furniweb Manufacturing Sdn. Bhd., a wholly owned subsidiary of the Company entered into a sale and purchase agreement to acquire a piece of industrial land from First Elastic Corporation (M) Sdn. Bhd., another wholly owned subsidiary of the Company for a purchase consideration of RM2,490,730 for expansion of its operations.

32. EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

On 25 January 2006, Furniweb Manufacturing Sdn. Bhd. ("FMSB"), a wholly owned subsidiary of the Company entered into a Share Sale Agreement with Autoliv Holding Limited ("AHL") for the acquisition of 1,000,000 ordinary shares of RM1.00 each held by AHL, representing 40% of the issued and paid-up capital of Furniweb-VOA Safety Webbing Sdn. Bhd. ("FVOA") for a total consideration of RM4,000,000.

Upon the completion of the acquisition, FVOA through holding by FMSB, became a wholly-owned subsidiary of the Company.

list of group properties

Address	Owner	Description	Age	Tenure / Expiry	Existing Use	Land Area (Sq Ft.)	NBV as at 31/12/2005 (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 1/2 storey detached factory	13	Leasehold (60 yrs)/ 9 Jul 2041	Industrial	51,905	2,839,656	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	13	Leasehold (60 yrs)/ 2 Sept 2040	Industrial	56,253	2,131,622	10/5/2002
Title No. H.S. (M) 1594, P.T. No. 2374, Kg. Baru Balakong, Mukim of Cheras, District of Hulu Langat, Selangor	FMSB	Vacant land	N/A	Leasehold (99 yrs)/ 3 Jul 2083	N/A	85,887	2,624,014	*27/09/2005
Plot No. 32, Bien Hoa Industrial Zone II, Long Binh Ward, Bien Hoa City, Dong Nai Province, Vietnam	FMV	1 1/2 storey factory/ warehouse building with office, single storey staff quarter, single storey canteen and guard house. Double storey detached factory/ warehouse building.	7	Lease/ 15 Jan 2044	Industrial	150,544	4,070,493	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	Texstrip	Land and 2 1/2 storey terrace house (intermediate lot)	22	Freehold	Residential	840	101,520	*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, guard house, car parking sheds and motorcycle parking shed	15	Freehold	Industrial	50,444	2,517,034	10/5/2002
No. 8, Nhon Trach Industrial Zone 1, Nhon Trach District, Dong Nai Province, Vietnam	PEWA	1 1/2 storey factory/ warehouse building with office, single storey canteen and guard house	3	Lease/ 22 Jan 2046	Industrial	280,755	1,896,608	Not Available
No. 2 Nhon Trach Industrial Zone 1, Nhon Trach District, Dong Nai Province, Vietnam	Furnitech	1 1/2 storey factory/ warehouse building with office, single storey canteen and guard house	1	Lease/ 4 Aug 2048	Industrial	242,188	2,075,465	Not Available

THERE WAS NO REVALUATION ON THE LAND AND PROPERTIES OWNED BY THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005.

analysis of shareholdings

as at 2 May 2006

Authorised Share Capital	: RM100,000,000
Issued and Fully Paid-up Capital	: RM45,000,000
Class of Shares	: Ordinary shares of RM0.50 each
Voting Rights	: 1 vote per ordinary share

ANALYSIS OF SHAREHOLDINGS AS AT 2 MAY 2006

Category	No. of holders	%	No. of shares	%
1 - 99	64	5.37	2,599	0.00
100 - 1,000	167	14.02	53,789	0.06
1,001 - 10,000	686	57.60	2,410,091	2.69
10,001 - 100,000	218	18.30	6,236,955	6.94
100,001 to less than 5% of issued shares	54	4.54	45,393,166	50.54
5% and above of issued shares	2	0.17	35,724,600	39.77
Total	1,191	100.00	89,821,200*	100.00

* Excluding a total of 178,800 shares bought back by Furniweb Industrial Products Berhad and retained as treasury shares as at 2 May 2006.

DIRECTORS' SHAREHOLDINGS AS AT 2 MAY 2006

(Per Register of Directors' Shareholdings)

Directors	Direct		Indirect	
	No. of shares	%	No. of shares	%
Dato' Lim Heen Peok	-	-	-	-
Cheah Eng Chuan	13,324,598	14.83	22,500,002 ⁽¹⁾	25.05
Lee Sim Hak	2,410,801	2.68	-	-
Ong Lock Hoo	4,523,912	5.04	-	-
Dato' Hamzah bin Mohd Salleh	200,000	0.22	-	-
Dato' Haji Johar bin Murat @ Murad	-	-	-	-
Lim Chee Hoong	-	-	-	-
Chua Carmen	3,529,800	3.93	-	-

SUBSTANTIAL SHAREHOLDERS AS AT 2 MAY 2006

(Per Register of Substantial Shareholders)

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Solid Rating Sdn Bhd	22,500,002	25.05	-	-
Cheah Eng Chuan	13,324,598	14.83	22,500,002 ⁽¹⁾	25.05
Ong Lock Hoo	4,523,912	5.04	-	-

Note:

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 2 May 2006 (cont'd)

TOP 30 SHAREHOLDERS AS AT 2 MAY 2006

Name of Shareholders	No. of Shares Held	Percentage %
1. SOLID RATING SDN BHD	22,500,002	25.05
2. CHEAH ENG CHUAN	13,224,598	14.72
3. MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LOW MEI LOON (DEALER 072)</i>	4,450,800	4.96
4. MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR CHUA MA YU (DEALER 072)</i>	4,191,400	4.67
5. ONG LOCK HOO	3,564,023	3.97
6. AMMB NOMINEES (TEMPATAN) SDN BHD <i>BENEFICIARY : AMTRUSTEE BERHAD FOR PACIFIC PEARL FUND (5/1-9)</i>	3,551,300	3.95
7. MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR CHUA CARMEN (DEALER 072)</i>	3,529,800	3.93
8. CHAN KWONG POOI	1,988,690	2.21
9. TAN WAH CHING	1,974,800	2.20
10. MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>BENEFICIARY : MAYBAN TRUSTEES BERHAD FOR BALANCED RETURNS FUND (N14011980060)</i>	1,875,038	2.09
11. LAI KONG MENG	1,863,690	2.07
12. LEE SIM HAK	1,710,718	1.90
13. AMANAH RAYA BERHAD <i>BENEFICIARY : SBB DANA AL-FAIZ</i>	1,597,100	1.78
14. TAY KING @ TAY GEE TIONG	1,320,941	1.47
15. HSBC NOMINEES (TEMPATAN) SDN BHD <i>BENEFICIARY : HSBC (M) TRUSTEE BHD FOR HWANG-DBS SELECT SMALL CAPS FUND (4579)</i>	1,106,575	1.23
16. ONG LOCK HOO	959,889	1.07
17. LEE KIM LIAN	912,938	1.02
18. FIRSTEX KNITTING INDUSTRY SDN BHD	831,442	0.93

analysis of shareholdings

as at 2 May 2006 (cont'd)

TOP 30 SHAREHOLDERS AS AT 2 MAY 2006

Name of Shareholders	No. of Shares Held	Percentage %
19. HSBC NOMINEES (TEMPATAN) SDN BHD <i>BENEFICIARY : HSBC (M) TRUSTEE BHD FOR HWANG-DBS DANA IZDIHAR (4207)</i>	791,750	0.88
20. PANG YUET FAH	786,938	0.88
21. PANG YUET FAH	562,500	0.63
22. KINTEX (K.L) SDN BHD	454,800	0.51
23. CHAN KWONG POOI	447,100	0.50
24. KENANGA NOMINEES (TEMPATAN) SDN BHD <i>BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR W ISMAIL BIN W NIK</i>	443,213	0.49
25. LEE SIM HAK	424,458	0.47
26. MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>BENEFICIARY : HWANG-DBS INVESTMENT MANAGEMENT BHD FOR EMPLOYEES PROVIDENT FUND (230571)</i>	412,088	0.46
27. MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>BENEFICIARY : HWANG-DBS INVESTMENT MANAGEMENT BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (240234)</i>	402,075	0.45
28. CHAN WENG SOONG	375,750	0.42
29. LIM SHIU HO	333,500	0.37
30. THONG WENG KIN	300,000	0.33
	<hr/> 76,887,916	<hr/> 85.60

notes

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Proxy Form

No. of Shares held
CDS Account No.

I/We, _____ NIRC/ Company No _____
(Full Name In Block Letters)

of _____
(Full Address)

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

_____ (Full Name In Block Letters)

of _____
(Full Address)

or failing him/her, _____
(Full Name In Block Letters)

of _____
(Full Address)

or failing him/her, the Chairman of the meeting, as my/our proxy, to vote for me/us on my/our behalf at the Fifth 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, 26 June 2006 at 10.00 a.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 and adopt the Audited Financial Statements for the financial year ended 31 December 2005 together with the Directors' and Auditors' Reports thereon.		
2. To approve a final dividend of 2.5 sen per share tax exempt and 0.5 sen per share less tax for the financial year ended 31 December 2005.		
3. To approve the payment of Directors' fees for the financial year ended 31 December 2005.		
4. To re-elect Chua Carmen who retires in accordance with Article 91 of the Company's Articles of Association		
5. To re-elect Dato' Hamzah bin Mohd Salleh retiring in accordance with Article 84 of the Company's Articles of Association		
6. To re-elect Ong Lock Hoo retiring in accordance with Article 84 of the Company's Articles of Association		
7. To re-appoint Messrs KPMG as the Company's Auditors and to authorise the Directors to fix their remuneration.		
SPECIAL BUSINESS		
8. To authorise Directors to issue shares pursuant to section 132D of the Companies Act, 1965.		
9. Proposed renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading nature which are in the ordinary course of business.		
10. Proposed renewal of Authority for Share Buy-Back.		
11. Proposed allocation of Options to Dato' Lim Heen Peok.		
12. Proposed allocation of Options to Chua Carmen.		

* 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 _____ 2006

Signature/ 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.*

setem/stamp

To:

FURNIWEB INDUSTRIAL PRODUCTS BERHAD

(company no: 541706-V)

49-1, The Highway Centre
Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan
Malaysia



Furniweb Manufacturing Sdn. Bhd.



Furniweb Manufacturing (Vietnam) Co., Ltd



Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd.



Furnitech Components (Vietnam) Co., Ltd.



Textstrip Manufacturing Sdn. Bhd.



First Elastic Corporation (M) Sdn. Bhd.



Furniweb Industrial Products Berhad

(Company No. 541706-V)

Head Office : Lot, 208 Jalan Sungai Besi, Batu 12,
Kampung Baru Balakong, 43300 Cheras,
Selangor Darul Ehsan, Malaysia.

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Website : <http://www.furniweb.com.my>