

annual report
2006



FURNIWEB
INDUSTRIAL PRODUCTS BERHAD

(Company No : 541706-V)



FURNIWEB

INDUSTRIAL PRODUCTS BERHAD

(Company No : 541706-V)



Artist's impression of our new office and factory

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Notice of Sixth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE SIXTH 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, 25 JUNE 2007 AT 10.00 A.M.

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2006 together with the Directors' and Auditors' Reports thereon. **RESOLUTION 1**
2. To approve a final dividend of 2.75 sen per share tax exempt and 0.25 sen per share less tax for the financial year ended 31 December 2006. **RESOLUTION 2**
3. To approve the payment of Directors' fees for the financial year ended 31 December 2006. **RESOLUTION 3**
4. To re-elect the following Directors who retire in accordance with Article 84 of the Company's Articles of Association:-
 - i. Cheah Eng Chuan **RESOLUTION 4**
 - ii. Lim Chee Hoong **RESOLUTION 5**
 - iii. Dato' Haji Johar bin Murat @ Murad **RESOLUTION 6**
5. To appoint auditors and to authorise the Directors to fix their remuneration. **RESOLUTION 7**

Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, has been received by the Company (set out in Appendix I attached to the 2006 Annual Report) for the nomination of Messrs BDO Binder who have given their consent to act, for appointment as auditors and of the intention to propose the following ordinary resolution:-

"THAT Messrs BDO Binder be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs KPMG, and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

SPECIAL BUSINESS

6. 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."

7. 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 Malaysia Securities Berhad, 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 1 June 2007 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 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 sixth annual general meeting

(cont'd)

8. 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 2006 are RM3.328 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 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
 - 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."

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

RESOLUTION 11

**SPECIAL RESOLUTION
PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION**

"That the deletion, alterations, modifications, variations and additions to the Articles of Association of the Company, more particularly set out in Appendix II attached to the 2006 Annual Report, be and is hereby approved."

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

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT a final dividend of 2.75 sen per share tax exempt and 0.25 sen per share less tax for the financial year ended 31 December 2006, if approved by the shareholders at the forthcoming Sixth Annual General Meeting, will be paid on 27 July 2007. The entitlement date for the payment is 12 July 2007.

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 2007 in respect of ordinary transfer; and
- b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

YE OH CHONG KEAT (MIA 2736)
LIM FEI CHIA (MAICSA 7036158)
Secretaries

Petaling Jaya
1 June 2007

notice of sixth annual general meeting (cont'd)

Notes:

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

EXPLANATORY NOTE UNDER SPECIAL BUSINESS

Resolution 8

The Company is always on the look out for business opportunities in prospective areas to enhance the earnings potential of the Company. If any business opportunities involve the issue of new shares, the Directors, under present circumstances, would have to convene a general meeting to approve the issue of new shares even though the number involved may be less than 10% of the issued capital.

The Company has established and administer an ESOS pursuant to its shareholders' approval in year 2004. Therefore, the Company would from time to time allot and issue new shares in the share capital of the Company pursuant to the exercise of options under the ESOS.

Therefore, Resolution 8 proposed under Agenda 6, if passed, will empower the Directors of the Company to issue shares in the Company, up to an amount not exceeding in total 10% of the issued share capital of the Company at any time, for such purpose, thus, eliminate the need to convene general meeting to approve such issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

Resolution 9

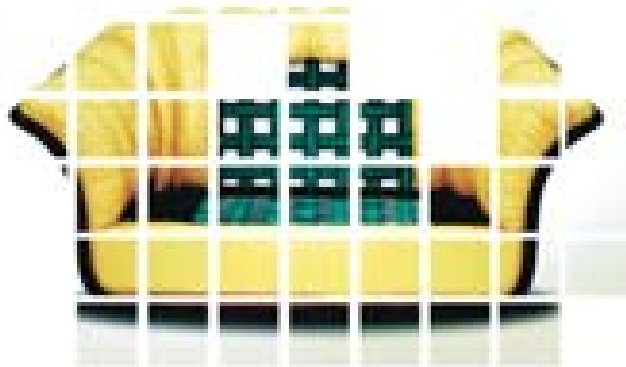
Resolution 9 proposed under Agenda 7, if passed, will authorise the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, particulars of which are as set out in the Circular to Shareholders of the Company dated 1 June 2007 despatched together 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 8, 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 1 June 2007 despatched together with the Annual Report.

Resolution 11

The Proposed Amendment to the Company's Articles of Association under Resolution 11 is in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad.



Statement Accompanying Notice of Annual General Meeting

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

- (i) Cheah Eng Chuan
- (ii) Lim Chee Hoong
- (iii) Dato' Haji Johar bin Murat @ Murad

2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

Details of the Directors' attendance at Board Meetings held during the financial year ended 31 December 2006 are as follows:

DIRECTORS	NO. OF MEETINGS ATTENDED
Dato' Lim Heen Peok	6 / 6
Cheah Eng Chuan	6 / 6
Lee Sim Hak	6 / 6
Ong Lock Hoo	6 / 6
Dato' Hamzah bin Mohd Salleh	5 / 6
Dato' Haji Johar bin Murat @ Murad	6 / 6
Lim Chee Hoong	6 / 6
Chua Carmen (appointed on 6 March 2006)	5 / 6

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

The Sixth Annual General Meeting of the Company is scheduled to be held on Monday, 25 June 2007 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 91 of this Annual Report.



Corporate Information

BOARD OF DIRECTORS

Dato' Lim Heen Peok
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 @ Murad
Independent Non-Executive Director

Lim Chee Hoong
Independent Non-Executive Director

Chua Carmen
Non-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

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

PRINCIPAL BANKERS

EON Bank Berhad (92351-V)
120 & 122, Jalan Mega Mendung
Kompleks Bandar, Batu 5
Jalan Klang Lama
58200 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
15A, Ben Chuong Duong St.
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

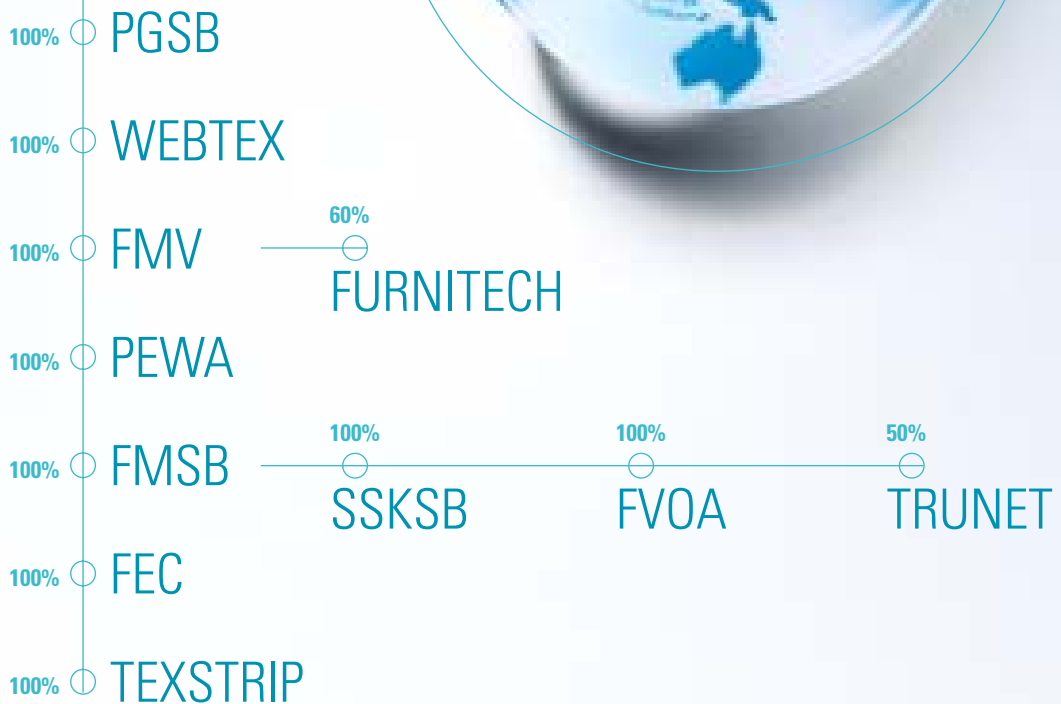
Bina Management (M) Sdn Bhd (50164-V)
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan
Tel : (603) 7784 3922
Fax : (603) 7784 1988

STOCK EXCHANGE LISTING

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

E-mail : general@furniweb.com.my
Website: <http://www.furniweb.com.my>

Corporate Structure



MALAYSIA

- FMSB**
Furniweb Manufacturing Sdn Bhd (164933-H)
- FVOA**
Furniweb-VOA Safety Webbing Sdn Bhd (391112-U)
- TEXSTRIP**
Texstrip Manufacturing Sdn Bhd (171110-T)
- FEC**
First Elastic Corporation (M) Sdn Bhd (328928-W)

- WEBTEX**
Webtex Trading Sdn Bhd (131288-K)
- SSKSB**
Syarikat Sri Kepong Sdn Bhd (21161-X)
- PGSB**
Premier Gesture Sdn Bhd (561566-V)

VIETNAM

- FMV**
Furniweb Manufacturing (Vietnam) Co Ltd
- PEWA**
Premier Elastic Webbing & Accessories (Vietnam) Co Ltd
- FURNITECH**
Furnitech Components (Vietnam) Co Ltd
- TRUNET**
Trunet (Vietnam) Co Ltd

Chairman's Statement



On behalf of the Board of Directors, it gives me great pleasure to present to you the Annual Report and Audited Financial Statements of **Furniweb Industrial Products Berhad** and its subsidiaries for the financial year ended 31 December 2006.

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FINANCIAL PERFORMANCE

The financial year 2006 had been a very hard and challenging year for the Group. Despite growing competition and rising raw materials costs, the Group's total revenue increased to RM84.9 million against RM76.7 million achieved in 2005, reflecting an increase of 10.7%. This was due to our ability to meet the demand of our customers in our markets worldwide.

In line with the overall increase in revenue, profit before taxation registered a substantial increase of 19.7% from RM6.9 million in 2005 to RM8.3 million for the year under review. Profit attributable to shareholders of the Company for the year under review was RM7.8 million, representing a 35.6% improvement over the performance of RM5.8 million in 2005.

Earnings per share for the current financial year was 8.7 sen compared to 6.4 sen recorded for the previous year, reflecting an increase of 35.8%.

As at 31 December 2006, total equity attributable to shareholders of the Company was RM64.5 million, resulting in net assets per share of 71.8 sen. This marked an increase of 7.0% from the 67.1 sen recorded in 2005. Total borrowings were RM21.5 million which gives a gearing ratio of only 0.33.

CORPORATE DEVELOPMENTS

In the last Annual Report, I mentioned about a wholly owned subsidiary, Furniweb Manufacturing Sdn Bhd ("FMSB"), entering into a share sale agreement with Autoliv Holding Limited ("AHL"), a company incorporated in the United Kingdom, for the acquisition of the remaining 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 RM4.0 million. The acquisition was completed on 2 June 2006 and FVOA through FMSB became a wholly owned subsidiary of the Company. This exercise will further strengthen our position in the automotive industry as the Group is confident of the merit of its manufacturing position in the regional market.

The Group also expanded the production capacity of several subsidiaries in Malaysia and Vietnam during the financial year largely by expanding our manufacturing plant and installing new machinery and equipment. With additional machinery and equipment already in place, the Group is expected to be able to meet growing demand from our export markets and hence contribute to revenue growth over the next few years.



FUTURE PROSPECTS

We are constantly aware that current global political and economic developments will continue to have significant impact on the environment in which we operate. A major challenge is rising oil and natural rubber prices which will have a significant impact on the cost of our products and hence on the bottom line of the Group. We have in place clear action plans to mitigate the impact of such risks. One of the measures is to continue to seek ways to improve operating efficiency and human productivity as an internal measure to reduce cost to cushion increases in raw materials prices which by and large are outside our control. We believe that we can continue to maintain the competitiveness of our products, through leveraging the technical skills and expertise of our human resources.

On 16 January 2007 the Company announced that it is exploring the possibility of listing its wholly owned subsidiary, Furniweb Manufacturing (Vietnam) Co. Ltd. on the Ho Chi Minh City Securities Trading Centre. The proposed listing is intended to enable the Company to capitalise on the fast growing Vietnamese economy and enhance the values of its subsidiaries in Vietnam. It will also allow the Group to gain direct access to the Vietnamese capital market to raise funds for the future expansion and growth of its Vietnamese subsidiaries without relying solely on the Company's existing resources.

The Group will continue to focus on its core business and at the same time will actively seek opportunities for growth by venturing into synergistic upstream and downstream activities. We have established a large and loyal customer base but we also seek new customers and markets to mitigate possible volatility in customer segments and geographical areas that we are in.

Barring any unforeseen circumstances, the performance of the Group for 2007 is expected to be satisfactory.

DIVIDEND

The Board is pleased to recommend a first and final dividend of 3 sen per share, of which 2.75 sen is tax exempt, in respect of the financial year ended 31 December 2006 subject to shareholders' approval at the forthcoming Sixth Annual General Meeting of the Company.

The dividend payout is consistent with the Company's policy of delivering adequate returns to our shareholders annually, while ensuring that sufficient funds are maintained for future expansion and investments.

APPRECIATION

On behalf of the Board of Directors, I would like to extend our sincere appreciation to all our employees for their commitment to the Group and dedication to their responsibilities during the past year. I wish also to express our gratitude to our shareholders, business associates, the regulatory authorities and bankers for their unwavering support during the year.

I am extremely grateful to our valued customers for their support, patronage and valuable feedback that have assisted the Group to better serve you. Your continued confidence in our products and services has contributed to our success in 2006.

Finally, I would like to convey a note of thanks to my fellow directors for their valuable inputs and tireless duty to the Board.

DATO' LIM HEEN PEOK
Chairman

Board of Directors

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Furniweb Industrial Products Berhad (641766-V)



from left to right (back)

- | | | |
|---------------------------------------|---------------------------------|----------------|
| 1. ONG LOCK HOO | 3. DATO' HAMZAH BIN MOHD SALLEH | 5. LEE SIM HAK |
| 2. DATO' HAJI JOHAR BIN MURAT @ MURAD | 4. LIM CHEE HOONG | |

from left to right (front)

- | | | |
|----------------|------------------------|--------------------|
| 1. CHUA CARMEN | 2. DATO' LIM HEEN PEOK | 3. CHEAH ENG CHUAN |
|----------------|------------------------|--------------------|

Directors' Profile



DATO' LIM HEEN PEOK

aged 59, 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 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 Proton Holdings 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 six board meetings held in the financial year ended 31 December 2006 and has had no convictions for any offences within the past 10 years.



CHEAH ENG CHUAN

aged 60, 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 29 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 all six board meetings held in the financial year ended 31 December 2006 and has had no convictions for any offences within the past 10 years.

directors' profile

(cont'd)



LEE SIM HAK

aged 53, 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 28 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 all six board meetings held in the financial year ended 31 December 2006 and has had no convictions for any offences within the past 10 years.



ONG LOCK HOO

aged 55, 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 23 years of 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 six board meetings held in the financial year ended 31 December 2006 and has had no convictions for any offences within the past 10 years.



DATO' HAMZAH BIN MOHD SALLEH

aged 59, 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 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 five of the six board meetings held in the financial year ended 31 December 2006 and has had no convictions for any offences within the past 10 years.



DATO' HAJI JOHAR BIN MURAT @ MURAD

aged 60, 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, Ministry of Public Enterprises (now known as Ministry of Entrepreneur and Cooperative Development) 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, Pusat Sains Negara, as well as the Audit Committee Chairman of MIMOS and a member of the Board of Tender for MIMOS and SIRIM. He is currently a director of Frontken Corporation Berhad and 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 six board meetings held in the financial year ended 31 December 2006 and has had no convictions for any offences within the past 10 years.



LIM CHEE HOONG

aged 46, 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 18 years of 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 six board meetings held in the financial year ended 31 December 2006 and has had no convictions for any offences within the past 10 years.



CHUA CARMEN

aged 24, 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 CMY 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 attended five of the six board meetings held in the financial year ended 31 December 2006 and has had no convictions for any offences within the past 10 years.

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 2006, six (6) 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	6 out of 6
Cheah Eng Chuan	6 out of 6
Lee Sim Hak	6 out of 6
Ong Lock Hoo	6 out of 6
Dato' Hamzah bin Mohd Salleh	5 out of 6
Dato' Haji Johar bin Murat @ Murad	6 out of 6
Lim Chee Hoong	6 out of 6
Chua Carmen (appointed on 6 March 2006)	5 out of 6

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 22 to 25 of this Annual Report
Remuneration Committee	Explained on pages 26 to 28 of this Annual Report
Nomination Committee	Explained on pages 29 to 30 of this Annual Report

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, one (1) Non-Independent Non-Executive Director and four (4) 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.

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.

corporate governance statement

(cont'd)

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 and non-financial information at its website: www.furniweb.com.my

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 for entities other than private entities issued by the Malaysian Accounting Standards Board.

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 196,400 of its issued ordinary shares from the open market at the average price of RM0.41 per share. The repurchase transactions were financed by internal funds.

As at 31 December 2006, a total of 208,900 of the Company's ordinary shares have been repurchased and 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 on page 34 of the Annual Report, the Company has not granted any option to any party to take up unissued shares in the Company.

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 2006 was RM22,000.

5. Variation in Results

There was no material variation between the audited results for the financial year ended 31 December 2006 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 28 of the financial statements.

7. Recurrent Related Party Transactions

The recurrent related party transactions for the financial year ended 31 December 2006 are set out in Note 28 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 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.
- 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 22 to 25 of this Annual Report.

CONCLUSION

For the financial year ended 31 December 2006, 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 2006.

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 five (5) meetings during the financial year ended 31 December 2006. Details of attendance are as follows:

Director	Attendance
Lim Chee Hoong	5 out of 5
Cheah Eng Chuan	5 out of 5
Dato' Haji Johar bin Murat @ Murad	5 out of 5

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.

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 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.

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

2. Membership (cont'd)

- 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.
- 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.

report of the audit committee (cont'd)a

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

4. Authority (cont'd)

- 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.
 - (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.

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

5. Functions and Duties (cont'd)

- (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.
 - 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 2006, the activities carried out by the Audit Committee in the discharge of its duties included, among others, the following:

- Review staffing requirement of in-house Internal Audit Department 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 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 2006.

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.

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.

TERMS OF REFERENCE OF REMUNERATION COMMITTEE (CONT'D)

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 27 February 2007 after the close of the financial year ended 31 December 2006 to review the remuneration packages of Executive Directors of the Company as well as directors' fees for financial year 2006.

DIRECTORS' REMUNERATION

Details of directors' remuneration for the financial year ended 31 December 2006 are set out below:

Remuneration	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Directors' fees*	90,000	155,000	245,000
Salaries and other emoluments	1,445,376	-	1,445,376
Bonus	182,800	-	182,800
Benefits-in-kind	83,100	-	83,100
Total	1,801,276	155,000	1,956,276

* To be approved at the forthcoming Annual General Meeting (the directors' fees are for the period from January 2006 to December 2006).

report of the remuneration committee (cont'd)

DIRECTORS' REMUNERATION (CONT'D)

The number of directors whose total remuneration during the financial year ended 31 December 2006 falls within the following bands is as follows:

Range of remuneration (RM)	Executive Director	Non-Executive Director
Below 50,000	-	5
300,001 - 350,000	1	-
500,001 - 550,000	1	-
900,001 - 950,000	1	-
Total	3	5

There are no directors whose total remuneration during the financial year ended 31 December 2006 falls within the bands of RM50,001 to RM300,000, RM350,001 to RM500,000 and RM550,001 to RM900,000.



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 2006.

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 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.
- 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.

report of the nomination committee (cont'd)

TERMS OF REFERENCE OF NOMINATION COMMITTEE (CONT'D)

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 27 February 2007 after the close of the financial year ended 31 December 2006 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.

Financial Statements



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40. Balance Sheets

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39. Report of the Auditors

Directors' Report

for the year ended 31 December 2006

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 2006.

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 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	7,830	2,506

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 final dividends of 5.0% (2.5 sen per share) tax exempt totalling RM2,246,000 and 1.0% (0.5 sen per share) less tax totalling RM323,000 in respect of the year ended 31 December 2005 on 28 July 2006.

The Directors recommended final dividends of 5.5% (2.75 sen per share) tax exempt totalling RM2,475,000 and 0.5% (0.25 sen per share) less tax totalling RM162,000 in respect of the year ended 31 December 2006.

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

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 1.1.2006	Bought	Sold	At 31.12.2006
Shareholdings in which Directors have direct interests in the Company				
Cheah Eng Chuan	13,274,598	50,000	-	13,324,598
Lee Sim Hak	2,410,801	281,250	-	2,692,051
Ong Lock Hoo	4,523,912	-	-	4,523,912
Dato' Hamzah Bin Mohd Salleh	150,000	50,000	-	200,000
Chua Carmen	-	12,500,000	-	12,500,000
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 RM 0.50 each			
	At 1.1.2006	Granted	Exercised	At 31.12.2006
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, Dato' Hamzah Bin Mohd Salleh and Chua Carmen 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.

None of the other Directors holding office at 31 December 2006 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

directors' report

for the year ended 31 December 2006
(cont'd)

DIRECTORS' BENEFITS

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

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisitions of shares in or debentures of the Company or any other body corporate apart from the issue of options pursuant to the Employees' Share Option Scheme.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the authorised, 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.

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 in the previous years, 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
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 31.12.2006
		Balance at 1.1.2006	Granted	Exercised	Forfeited	
7.9.2004	RM1.21	4,932,800	-	-	(589,950)	4,342,850
1.12.2005	RM0.50	2,117,900	-	-	(325,500)	1,792,400
						6,135,250

OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)

The salient features of the scheme are as follows:

- i) 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.
- 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

directors' report

for the year ended 31 December 2006
(cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

In the opinion of the Directors, except for the effects arising from the changes in accounting policies as disclosed in Note 31 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2006 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.

SIGNIFICANT EVENT DURING THE YEAR

On 25 January 2006, Furniweb Manufacturing Sdn. Bhd., 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. for a total consideration of RM4,000,000.

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

SUBSEQUENT EVENT

On 16 January 2007, the Group announced that it is exploring the possibility of listing a wholly owned subsidiary, Furniweb Manufacturing (Vietnam) Co., Ltd., on the Ho Chi Minh City Securities Trading Centre.

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: 26 April 2007

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 40 to 89 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2006 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: 26 April 2007

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 40 to 89 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 26 April 2007.

CHEAH ENG CHUAN

Before me:

P. THURIRAJOO; AMN, PJK
Commissioner of Oaths (No. W438)
Kuala Lumpur

Report of the Auditors

to the members of Furniweb Industrial Products Berhad

We have audited the financial statements set out on pages 40 to 89. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. 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 for entities other than private entities issued by the Malaysian Accounting Standards Board 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 2006 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 6 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: 26 April 2007

Balance Sheets

at 31 December 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000 Restated
Assets					
Property, plant and equipment	3	37,862	34,347	-	-
Intangible assets	4	1,924	690	-	-
Prepaid lease payments	5	4,212	4,293	-	-
Investments in subsidiaries	6	-	-	40,519	40,519
Investment in a jointly controlled entity	7	995	1,002	-	-
Other investments	8	66	38	-	-
Total non-current assets		45,059	40,370	40,519	40,519
Receivables, deposits and prepayments	9	20,369	19,505	5,543	10,559
Inventories	10	21,664	22,668	-	-
Current tax assets		1,032	631	16	15
Cash and cash equivalents	11	12,322	8,638	4,693	1,506
Total current assets		55,387	51,442	10,252	12,080
Total assets		100,446	91,812	50,771	52,599
Equity					
Share capital	12	45,000	45,000	45,000	45,000
Reserves	12	(907)	266	283	279
Retained earnings	12	20,395	15,134	3,328	3,391
Total equity attributable to shareholders of the Company		64,488	60,400	48,611	48,670
Minority interest		1,695	4,627	-	-
Total equity		66,183	65,027	48,611	48,670
Liabilities					
Loans and borrowings	13	11,447	6,343	-	-
Deferred tax liabilities	14	2,135	1,926	-	-
Total non-current liabilities		13,582	8,269	-	-
Payables and accruals	15	10,580	9,659	2,160	3,929
Loans and borrowings	13	10,042	8,822	-	-
Current tax liabilities		59	35	-	-
Total current liabilities		20,681	18,516	2,160	3,929
Total liabilities		34,263	26,785	2,160	3,929
Total equity and liabilities		100,446	91,812	50,771	52,599

The notes on pages 47 to 89 are an integral part of these financial statements.

Income Statements

for the year ended 31 December 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000 Restated
Revenue	17	84,894	76,712	2,962	3,012
Cost of sales		(62,576)	(56,108)	-	-
Gross profit		22,318	20,604	2,962	3,012
Other income		1,286	675	-	-
Distribution expenses		(2,637)	(2,854)	-	-
Administrative expenses		(10,625)	(9,803)	(367)	(288)
Other expenses		(1,395)	(1,086)	(198)	(49)
Results from operating activities		8,947	7,536	2,397	2,675
Interest income		163	142	229	399
Finance costs		(1,307)	(1,072)	-	-
Operating profit	18	7,803	6,606	2,626	3,074
Share of profit after tax in a jointly controlled entity		519	303	-	-
Profit before tax		8,322	6,909	2,626	3,074
Tax expense	20	(1,157)	(993)	(120)	(91)
Profit for the year		7,165	5,916	2,506	2,983
Attributable to:					
Shareholders of the Company		7,830	5,775		
Minority interest		(665)	141		
Profit for the year		7,165	5,916		
Basic earnings per ordinary share (sen)	21	8.7	6.4		
Diluted earnings per share (sen)	21	-	-		

Statement of Changes in Equity

for the year ended 31 December 2006

Group	Note	Attributable to shareholders of the Company										Total equity RM'000
		Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Share option reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000		
At 1 January 2005		45,000	278	180	-	-	12,055	57,513	3,620	61,133		
Foreign exchange translation differences		-	-	(193)	-	-	-	(193)	-	(193)		
Net loss recognised directly in equity		-	-	(193)	-	-	-	(193)	-	(193)		
Profit for the year		-	-	-	-	-	5,775	5,775	141	5,916		
Total recognised income and expense for the year		-	-	(193)	-	-	5,775	5,582	141	5,723		
Treasury shares acquired	12	-	-	-	-	(6)	-	(6)	-	(6)		
Share based payments	16	-	-	-	7	-	-	7	-	7		
Dividends to shareholders	22	-	-	-	-	-	(2,696)	(2,696)	-	(2,696)		
Proceeds from minority interest		-	-	-	-	-	-	-	866	866		
At 31 December 2005, restated		45,000	278	(13)	7	(6)	15,134	60,400	4,627	65,027		

statement of changes in equity
for the year ended 31 December 2006
(cont'd)

Group	Note	Attributable to shareholders of the Company		Share		Distributable		Total equity RM'000	
		Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Share option reserve RM'000	Treasury shares RM'000	Retained earnings RM'000		Minority interest RM'000
At 31 December 2005									
-As previously reported		45,000	278	(13)	-	(6)	15,141	4,627	65,027
-effect of adopting FRS 2	31	-	-	-	7	-	(7)	-	-
At 31 December 2005 / 1 January 2006, restated									
Foreign exchange translation differences		-	-	(1,177)	-	-	-	(166)	(1,343)
Net gain and loss recognised directly in equity		-	-	(1,177)	-	-	-	(166)	(1,343)
Profit for the year		-	-	-	-	-	7,830	(665)	7,165
Total recognised income and expense for the year		-	-	(1,177)	-	-	7,830	(831)	5,822
Treasury shares acquired	12	-	-	-	-	(81)	-	-	(81)
Share based payments	16	-	-	-	85	-	-	-	85
Acquisition of minority interest	29	-	-	-	-	-	-	(2,766)	(2,766)
Dividends to shareholders	22	-	-	-	-	-	(2,569)	-	(2,569)
Proceeds from minority interest		-	-	-	-	-	-	665	665
At 31 December 2006		45,000	278	(1,190)	92	(87)	20,395	1,695	66,183

statement of changes in equity
for the year ended 31 December 2006
(cont'd)

Company	Note	Non-distributable			Distributable		Total equity RM'000
		Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	
At 1 January 2005	45,000	278	-	-	3,104	48,382	
Profit for the year		-	-	-	-	2,983	2,983
Treasury shares acquired	12	-	-	-	(6)	-	(6)
Share based payments	16	-	-	7	-	-	7
Dividends to shareholders	22	-	-	-	-	(2,696)	(2,696)
As at 31 December 2005, restated		45,000	278	7	(6)	3,391	48,670
At 31 December 2005							
- As previously reported		45,000	278	-	(6)	3,398	48,670
- effect of adopting FRS 2	31	-	-	7	-	(7)	-
At 31 December 2005 / 1 January 2006, restated		45,000	278	7	(6)	3,391	48,670
Profit for the year		-	-	-	-	2,506	2,506
Treasury shares acquired	12	-	-	-	(81)	-	(81)
Share based payments	16	-	-	85	-	-	85
Dividends to shareholders	22	-	-	-	-	(2,569)	(2,569)
At 31 December 2006		45,000	278	92	(87)	3,328	48,611

Cash Flow Statements

for the year ended 31 December 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000 Restated
Cash flows from operating activities					
Profit before tax		8,322	6,909	2,626	3,074
Adjustments for:					
(Reversal)/Allowance for diminution in other investments	8	(28)	12	-	-
Amortisation of goodwill	4	-	39	-	-
Depreciation of property, plant and equipment	3	4,220	3,818	-	-
Amortisation of prepaid lease payments	5	81	48	-	-
Finance costs	18	1,307	1,072	-	-
Loss/(Gain) on disposal of property plant and equipment		22	(85)	-	-
Interest income		(163)	(142)	(229)	(399)
Share based payments	16	85	7	85	7
Share of profit in a jointly controlled entity		(519)	(303)	-	-
Dividend income		-	-	(2,865)	(2,921)
Unrealised foreign exchange loss		223	143	60	42
Operating profit/(loss) before changes in working capital		13,550	11,518	(323)	(197)
Change in inventories		1,004	(2,845)	-	-
Change in payables and accruals		1,566	(243)	(36)	15
Change in receivables, deposits and prepayments		(1,087)	(1,513)	(8)	(93)
Cash generated from/(used in) operations		15,033	6,917	(367)	(275)
Tax paid		(1,325)	(1,391)	-	(7)
Net cash from/(used in) operating activities		13,708	5,526	(367)	(282)
Cash flows from investing activities					
Acquisition of minority interest	29	(4,000)	-	-	-
Acquisition of prepaid lease payments	5	-	(2,624)	-	-
Acquisition of property, plant and equipment (net of exchange differences)	3	(7,863)	(6,625)	-	-
Dividends received		526	401	2,744	2,830
Interest received		163	142	229	399
Proceeds from disposal of property, plant and equipment		106	235	-	-

cash flow statements

for the year ended 31 December 2006
(cont'd)

	Note	Group		Company	
		2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000 Restated
Cash flows from investing activities (cont'd)					
Proceeds from minority shareholders		665	866	-	-
(Placements of)/withdrawals of pledged deposits		(4)	124	-	-
Net cash (used in)/from investing activities		(10,407)	(7,481)	2,973	3,229
Cash flows from financing activities					
Advances to subsidiaries (net)		-	-	3,231	(1,647)
Dividends paid to shareholders of the Company	22	(2,569)	(2,696)	(2,569)	(2,696)
Interest paid		(1,307)	(1,072)	-	-
Proceeds from term loans and borrowings		26,073	6,664	-	-
Repayments of term loans and borrowings		(19,624)	(1,864)	-	-
Payments of hire purchase liabilities		(125)	(581)	-	-
Repayments to Directors		(645)	(1,872)	-	-
Repurchase of treasury shares		(81)	(6)	(81)	(6)
Net cash from/(used in) financing activities		1,722	(1,427)	581	(4,349)
Exchange differences on translation of the financial statements of foreign entities		(1,343)	(193)	-	-
Net increase/(decrease) in cash and cash equivalents		3,680	(3,575)	3,187	(1,402)
Cash and cash equivalents at 1 January		8,525	12,100	1,506	2,908
Cash and cash equivalents at 31 December		12,205	8,525	4,693	1,506

Cash and cash equivalents

Cash and cash equivalents included in the cashflow statements comprise the following balance sheet amounts:

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deposits (excluding deposits pledged)	11	2,156	2,492	734	-
Cash and bank balances	11	10,049	6,033	3,959	1,506
		12,205	8,525	4,693	1,506

The notes on pages 47 to 89 are an integral part of these financial statements.

Notes to the Financial Statements

Furniweb Industrial Products Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Second Board of the Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

Registered office

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

Principal place of business

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

The consolidated financial statements as at and for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in a jointly controlled entity. The financial statements of the Company as at and for the year ended 31 December 2006 do not include other entities.

The Company is principally engaged in investment holding and provision of management services while the other Group entities are primarily involved in manufacture and sale of upholstery webbings, covered elastic yarn, rigid webbings, safety webbings, narrow fabrics, rubber strips and sheets and metal components for furniture industry; trading of machinery and accessories and acting as commission agent; and property holding.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board ("MASB"), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad

The MASB has issued a number of new and revised Financial Reporting Standards (FRSs) that are effective for accounting periods beginning after 1 January 2006 or available for early adoption. In this set of financial statements, the Group has chosen to early adopt FRS 117, *Leases* and FRS 124, *Related Party Disclosures*, which are effective for annual periods beginning on or after 1 October 2006. The MASB has also issued FRS 139, *Financial Instruments: Recognition and Measurement* but for which the MASB has yet to announce the effective date of this standard. The Group has not adopted FRS 139 and by virtue of the exemption in paragraph 103AB of FRS 139, the impact of applying FRS 139 on its financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed.

The Group has also chosen not to early adopt Amendment to FRS 119₂₀₀₄, *Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures*, which is effective for annual periods beginning on or after 1 January 2007. As there is no effect upon adoption of this Amendment, no disclosure is warranted.

notes to the financial statements

for the year ended 31 December 2006

(cont'd)

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

On 15 August 2006, the MASB issued FRS 6, *Exploration for and Evaluation of Mineral Resources* which will be effective for annual periods beginning on or after 1 January 2007 and for which is not applicable to the Group. Hence, no further disclosure is warranted.

On 15 February 2007, the MASB issued the following amendments to FRS and interpretations for entities other than private entities:

- (i) Amendments to FRS 121, *The Effect of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation*;
- (ii) IC Interpretation 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*;
- (iii) IC Interpretation 2, *Members' Share in Co-operative Entities and Similar Instruments*;
- (iv) IC Interpretation 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*;
- (v) IC Interpretation 6, *Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*;
- (vi) IC Interpretation 7, *Applying the Restatement Approach under FRS 129₂₀₀₄ Financial Reporting in Hyperinflationary Economies*; and
- (vii) IC Interpretation 8, *Scope of FRS 2 Share-based Payment*.

The above MASB's amendments to FRS 121 and Interpretations are effective for annual period beginning on or after 1 July 2007. The initial implication of the said amendments to FRS 121 and Interpretations are not expected to have any material impact on the financial statements of the Group and of the Company.

The effects of adoption of the new/revised FRSs in 2006 are set out in Note 31 to the financial statements.

The financial statements were approved by the Board of Directors on 26 April 2007.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

Certain comparative amounts have been reclassified to conform to the current period's presentation (see Note 32). In addition, the comparative financial statements have been restated to take into account the effect of adopting FRS 2,

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation

(i) *Subsidiaries*

Subsidiaries are entities, including unincorporated entities, if any, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses.

(ii) *Joint ventures*

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Joint ventures are accounted for in the consolidated financial statements using the equity method. The consolidated financial statements include the Group's share of the income and expenses of the equity accounted joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted joint venture, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture.

Investments in joint ventures are stated in the Company's balance sheet at cost less impairment losses.

(iii) *Changes in Group composition*

Where a subsidiary issues new equity shares to minority interest for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

Where a group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

notes to the financial statements

for the year ended 31 December 2006

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(iv) Minority interest

Minority interest at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, is presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(v) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance sheet date, except for goodwill and fair value adjustments arising from business combination before 1 January 2006, which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated. Property, plant and equipment under construction (capital work-in-progress) are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• buildings	2% - 12.5%
• plant and machinery	8% - 25%
• furniture and office equipment	10% - 40%
• motor vehicles	10% - 20%

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

notes to the financial statements

for the year ended 31 December 2006

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Property, plant and equipment (cont'd)

(iv) Assets under hire purchase

Property, plant and equipment acquired under hire purchase arrangements are capitalised at their purchase cost and are depreciated on the same basis as owned property, plant and equipment. The total amount payable under hire purchase arrangements is shown under hire purchase liabilities.

(d) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased assets is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

The Group had previously classified lease of land as finance lease and had recognised the amount of prepaid lease payments as property within its property, plant and equipment. On early adoption of FRS 117, *Leases*, the Group treats such a lease as an operating lease, with the unamortised carrying amount classified as prepaid lease payments in accordance with the transitional provisions in FRS 117.67A.

(e) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and joint ventures.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is tested for impairment where there is objective evidence of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Intangible assets (cont'd)

Goodwill (cont'd)

Before the adoption of FRS 3, goodwill was measured at cost less accumulated amortisation and impairment losses. Goodwill was amortised from the date of the first full year of initial recognition over its estimated useful life of twenty (20) years. Impairment tests on goodwill were performed when there were indications of impairment.

Following the adoption of FRS 3, goodwill is measured at cost and is no longer amortised but tested for impairment at least annually or more frequently when there is objective evidence of impairment.

Acquisition of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

(f) Investments

Investments in debt and equity securities

Investments in debt securities (if any) and equity securities are recognised initially at cost plus attributable transaction costs.

Subsequent to initial recognition:

- Investments in non-current equity securities other than investments in subsidiaries and joint ventures are stated at cost less allowance for diminution in value,
- Investment in non-current debt securities are stated at amortised cost using the effective interest method less allowance for diminution in value,
- All current investments are carried at the lower of cost and market value, determined on an aggregate portfolio (or individual investments) basis by category of investments.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities and non-current debt securities other than investment in subsidiaries and joint ventures, the allowance for diminution in value is recognised as an expense in the financial period in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

All investments in debt and equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

- a) the recognition of an asset on the day it is received by the entity, and
- b) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

notes to the financial statements

for the year ended 31 December 2006

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

(h) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(i) 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 cash flow statement, cash and cash equivalents are presented net of pledged deposits.

(j) Impairment of assets

The carrying amounts of assets except for financial assets and inventories are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that has indefinite useful life, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment of assets (cont'd)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(k) Share capital

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and presented as a deduction from total equity.

(l) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to the Employee's Provident Fund are charged to the income statements in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Share-based payment transactions

The share option programme allows Group employees to acquire shares of the Company. In the previous year, share options granted to employees is not recognised as an employee cost. Following the adoption of FRS 2, *Share-based Payment*, the grant date fair value of share options granted to employees is recognised as an employee expense with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The change in accounting policy is applied retrospectively only for those shares options granted after 31 December 2004 and have not vested as of 1 January 2006 as provided in the transitional provision of FRS 2. The amount recognised as an expense if any, is adjusted to reflect the actual number of share options that vest.

The fair value of employee stock options is measured using the Black Scholes pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to public available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

notes to the financial statements

for the year ended 31 December 2006

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(o) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(p) Revenue

(i) Goods sold

Revenue from sale of goods is measured at fair value of the consideration receivable and is recognised in the income statement when the significant risk 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

(q) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Interest income and borrowing costs

Interest income is recognised as it accrues, using effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are 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.

(s) Tax expense

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

notes to the financial statements
for the year ended 31 December 2006
(cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture and office equipment RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
At 1 January 2005, as previously reported	1,009	2,242	12,371	33,224	1,942	2,899	780	54,467
Effect of adopting FRS 117	-	(2,242)	-	-	-	-	-	(2,242)
At 1 January 2005, restated	1,009	-	12,371	33,224	1,942	2,899	780	52,225
Additions	-	-	2,221	3,409	186	227	812	6,855
Disposals	-	-	-	(51)	(8)	(270)	-	(329)
Transfers	-	-	780	-	-	-	(780)	-
Effect of movement in exchange rates	-	-	(95)	(186)	(7)	(8)	-	(296)
At 31 December 2005/ 1 January 2006, restated	1,009	-	15,277	36,396	2,113	2,848	812	58,455
Additions	-	-	1,869	6,524	152	463	343	9,351
Disposals	-	-	(5)	-	(6)	(306)	-	(317)
Transfers	-	-	447	305	60	-	(812)	-
Effect of movement in exchange rates	-	-	(680)	(1,194)	(49)	(48)	-	(1,971)
At 31 December 2006	1,009	-	16,908	42,031	2,270	2,957	343	65,518

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture and office equipment RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
Accumulated depreciation								
At 1 January 2005, as previously reported	-	525	2,022	16,149	1,331	1,033	-	21,060
Effect of adopting FRS 117	-	(525)	-	-	-	-	-	(525)
At 1 January 2005, restated	-	-	2,022	16,149	1,331	1,033	-	20,535
Charge for the year	-	-	396	2,936	172	314	-	3,818
Disposals	-	-	-	(40)	(4)	(135)	-	(179)
Effect of movement in exchange rates	-	-	(9)	(53)	(2)	(2)	-	(66)
At 31 December 2005/1 January 2006, restated	-	-	2,409	18,992	1,497	1,210	-	24,108
Charge for the year	-	-	469	3,293	156	302	-	4,220
Disposals	-	-	-	-	(6)	(183)	-	(189)
Transfers	-	-	-	43	(43)	-	-	-
Effect of movement in exchange rates	-	-	(63)	(386)	(18)	(16)	-	(483)
At 31 December 2006	-	-	2,815	21,942	1,586	1,313	-	27,656
Carrying amounts								
At 1 January 2005, restated	1,009	-	10,349	17,075	611	1,866	780	31,690
At 31 December 2005/1 January 2006, restated	1,009	-	12,868	17,404	616	1,638	812	34,347
At 31 December 2006	1,009	-	14,093	20,089	684	1,644	343	37,862

notes to the financial statements

for the year ended 31 December 2006
(cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Effect of adopting FRS 117

The leasehold land has been reclassified as prepaid lease payments during the financial year in accordance with FRS 117 (see Note 31).

Motor vehicles held in trust

Included in the property, plant and equipment of the Group are motor vehicles with a net book value of RM3,460 (2005 - RM134,148) registered under the name of certain Directors of a subsidiary, namely Lai Kong Meng and Chan Kwong Pooi who hold the motor vehicles in trust for the Group.

Security

At 31 December 2006, freehold land and buildings with carrying amount of RM6,951,598 (2005 - RM5,920,510) are subject to a registered debenture to secure bank loans (see Note 13).

Assets under hire purchase

Included in property, plant and equipment of the Group are plant and machinery acquired under hire purchase agreements with a net book value of RM1,127,714 (2005 - RM1,361,352).

Property, plant and equipment under construction

The Group commenced installation of plant and machinery for future use with costs incurred up to the balance sheet date totalling RM343,000 (2005 - RM812,000).

4. INTANGIBLE ASSETS

	Note	Goodwill on consolidation RM'000
Cost		
At 1 January 2005/31 December 2005/1 January 2006		767
Acquisition of minority interest	29	1,234
<hr/>		
At 31 December 2006		2,001
<hr/>		
Amortisation and impairment losses		
At 1 January 2005		38
Amortisation for the year	18	39
<hr/>		
At 31 December 2005/1 January 2006		77
Amortisation for the year		-
<hr/>		
At 31 December 2006		77
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4. INTANGIBLE ASSETS (CONT'D)

Carrying amount	Note	Goodwill on consolidation RM'000
At 1 January 2005		729
At 31 December 2005/1 January 2006		690
At 31 December 2006		1,924

Following the adoption of FRS 3, goodwill is measured at cost and is no longer amortised but tested for impairment at least annually or more frequently when there is objective evidence of impairment.

5. PREPAID LEASE PAYMENTS

Cost	Note	Leasehold land unexpired period less than 50 years RM'000
At 1 January 2005		-
Effect of adopting FRS 117		2,242
At 1 January 2005, restated		2,242
Additions		2,624
At 31 December 2005/ 31 December 2006		4,866
Amortisation		
At 1 January 2005		-
Effect of adopting FRS 117		525
At 1 January 2005, restated		525
Amortisation for the year	18	48
At 31 December 2005/1 January 2006		573
Amortisation for the year	18	81
At 31 December 2006		654
Carrying amounts		
At 1 January 2005, restated		1,717
At 31 December 2005/1 January 2006		4,293
At 31 December 2006		4,212

notes to the financial statements

for the year ended 31 December 2006
(cont'd)

5. PREPAID LEASE PAYMENTS (CONT'D)

Security

At 31 December 2006, prepaid lease payments with a carrying amount of RM1,621,290 (2005 - RM1,669,322) are charged to financial institutions for part of the banking facilities granted to the Group (see Note 13).

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006 RM'000	2005 RM'000
Unquoted shares - at cost	40,519	40,519

Details of the subsidiaries are as follows:

Name of company	Note	Country of incorporation	Principal activities	Effective ownership interest	
				2006 %	2005 %
Furniweb Manufacturing Sdn. Bhd.		Malaysia	Manufacture and sale of upholstery webbings, covered elastic yarn and rigid webbings	100	100
Texstrip Manufacturing Sdn. Bhd.		Malaysia	Manufacture and marketing of rubber strips and sheets	100	100
Webtex Trading Sdn. Bhd.		Malaysia	Trading of machinery and accessories and acts as commission agent	100	100
Premier Gesture Sdn. Bhd. [^]		Malaysia	Investment holding company	100	100
Premier Elastic Webbing and Accessories (Vietnam) Co. Ltd.*		Vietnam	Manufacture and sale of narrow fabrics	100	100
First Elastic Corporation (M) Sdn. Bhd.**		Malaysia	Manufacture and sale of narrow fabrics	100	100
Furniweb Manufacturing (Vietnam) Co. Ltd.*		Vietnam	Manufacture and sale of upholstery webbings and covered elastic yarn	100	100

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of company	Note	Country of incorporation	Principal activities	Effective ownership interest	
				2006 %	2005 %
Furniweb-VOA Safety Webbing Sdn. Bhd.***#	29	Malaysia	Manufacture and sale of safety webbing	100	60
Syarikat Sri Kepong Sdn. Bhd.**		Malaysia	Property holding company	100	100
Furnitech Components (Vietnam) Co. Ltd. *		Vietnam	Manufacture and sale of metal components for furniture industry	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.

On 25 January 2006, Furniweb Manufacturing Sdn. Bhd., a wholly owned subsidiary of the Company acquired the remaining 40% equity interest in Furniweb-VOA Safety Webbing Sdn. Bhd. for RM4,000,000 in cash, increasing its ownership from 60% to 100% (see Note 29).

^ Subsidiary with auditors' report that emphasised on the appropriateness of going concern assumption in the preparation of financial statements, which are dependent on the continuous financial support from the Company and on the subsidiary achieving future profitable operations and cash inflow to sustain its operations.

7. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Note	Group	
		2006 RM'000	2005 RM'000
At cost:			
Unquoted shares		570	570
Share of post-acquisition reserves		425	432
		995	1,002
Represented by:			
Group's share of net assets		995	1,002

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7. INVESTMENT IN A JOINTLY CONTROLLED ENTITY (CONT'D)

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

Summary financial information on jointly controlled entity:

Group	Country of incorporation	Effective ownership interest		Revenues (100%) RM'000	Profit (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
		2006 %	2005 %				
2006							
Trunet (Vietnam) Co. Ltd.*	Vietnam	50	50	4,363	1,038	3,148	1,159
2005							
Trunet (Vietnam) Co. Ltd.*	Vietnam	50	50	4,263	605	2,872	869

* Audited by a member firm of KPMG International

8. OTHER INVESTMENTS

	Group	
	2006 RM'000	2005 RM'000
Non-current		
At cost:		
Quoted shares in Malaysia	148	148
Less: Allowance for diminution in value	(82)	(110)
	66	38
Market value of:		
Quoted shares in Malaysia	66	38

There were no disposals of investments in quoted shares during the financial year.

9. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade				
Trade receivables	19,098	16,625	-	-
Less: Allowance for doubtful debts	(615)	(500)	-	-
	18,483	16,125	-	-
Amount due from a jointly controlled entity	351	415	1	1
	18,834	16,540	1	1

9. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Non-trade				
Other receivables, deposits and prepayments	1,535	2,965	60	52
Amount due from subsidiaries	-	-	5,482	10,506
	20,369	19,505	5,543	10,559

Trade receivables

Trade receivables denominated in currencies other than the functional currency comprise the following:

	Vietnam Dong (VND) RM'000	U.S. Dollar (USD) RM'000	Pounds Sterling (GBP) RM'000	Australian Dollar (AUD) RM'000	EURO RM'000	Singapore Dollar (SGD) RM'000
2006	7,824	3,863	27	-	-	-
2005	5,934	3,224	10	218	26	36

Other receivables, deposits and prepayments

Included in other receivables, deposits and prepayments of the Group in the previous year were deposits amounting to RM622,486 paid in respect of property, plant and equipment of a subsidiary.

Amount due from a jointly controlled entity

The amount due from a jointly controlled entity is unsecured, interest free and have no fixed terms of repayment.

Amount due from subsidiaries

- (i) The amount due from subsidiaries is in respect of advances, which are unsecured, have no fixed terms of repayment and interest free.
- (ii) Included in amount due from subsidiaries in the previous year was an amount of RM4,218,000, which bore interest at 7% per annum.

10. INVENTORIES

	Group	
	2006 RM'000	2005 RM'000
At cost:		
Raw material	10,283	9,869
Work-in-progress	4,836	3,860
Manufactured inventories	5,991	8,364
Other consumables	554	575
	21,664	22,668

notes to the financial statements

for the year ended 31 December 2006

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10. INVENTORIES (CONT'D)

In 2006, inventories recognised as cost of sales amounted to RM43,167,000 (2005 - RM41,293,000). Inventories written down amounted to RM25,679 (2005 - RM110,000). The write-down are included in cost of sales.

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deposits placed with licensed banks	2,273	2,605	734	-
Cash and bank balances	10,049	6,033	3,959	1,506
	12,322	8,638	4,693	1,506

Included in the Group's deposits placed with licensed banks is an amount of RM117,000 (2005 - RM113,000) pledged for credit facilities granted to the Group.

12. CAPITAL AND RESERVES

	Group and Company	
	2006 RM'000	2005 RM'000
Share capital		
Authorised:		
Ordinary shares of RM0.50 each	100,000	100,000
Issued and fully paid:		
Ordinary shares of RM0.50 each	45,000	45,000
On issue at 31 December	45,000	45,000

The authorised share capital comprises 200,000,000 ordinary shares of RM0.50 each and the issued and fully paid share capital comprises 90,000,000 shares of RM0.50 each.

The Company has also issued share options (see Note 16).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Group (see below), all rights are suspended until those shares are reissued.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

12. CAPITAL AND RESERVES (CONT'D)

Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share premium. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

Treasury shares

At an Extraordinary General Meeting held on 26 June 2006, the shareholders of the Company approved the Company's plan to purchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders.

During the financial year, the Company repurchased 196,400 (2005 - 12,500) of its issued share capital from the open market. The average price paid for the shares was RM0.41 per ordinary share (2005 - RM0.49). The repurchase transactions were financed by internal generated funds. The shares repurchased were retained as treasury shares.

As at 31 December 2006, the Group held 208,900 (2005 - 12,500) of the Company's ordinary shares.

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank up to RM930,000 of its distributable reserves at 31 December 2006, if paid out as dividends.

13. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's and the Company's interest bearing loans and borrowings. For more information about the Group's and the Company's exposure to interest rate and foreign currency risk, see Note 24.

	Group	
	2006	2005
	RM'000	RM'000
Non-current		
Secured term loans	11,112	5,892
Hire purchase liabilities	335	451
	11,447	6,343
Current		
Secured term loans	3,004	2,322
Trade bills	6,731	6,184
Hire purchase liabilities	307	316
	10,042	8,822
	21,489	15,165

notes to the financial statements

for the year ended 31 December 2006
(cont'd)

13. LOANS AND BORROWINGS (CONT'D)

Security

The Group's borrowings are secured by the following:

- i) a fixed charge over the subsidiaries' freehold land, buildings and prepaid lease payments;
- ii) a pledge over the subsidiaries' assets;
- iii) corporate guarantees by the Company on credit facilities granted to the subsidiaries (see Note 27);
- iv) fixed deposits principal amounting to RM117,000 (2005 - RM113,000);
- v) bank guarantee amounting to RM1,500,000 (2005 - RM1,500,000);
- 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.; and
- vii) a pledge in favour of a third party, the entire issued and fully paid-up share capital of a fully-owned subsidiary, Furniweb-VOA Safety Webbing Sdn. Bhd.

Terms and debt repayment schedule

Group	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
31.12.2006						
Hire purchase liabilities	2008	642	307	296	39	-
Trade bills						
- RM	2007	282	282	-	-	-
- USD	2007	2,462	2,462	-	-	-
- VND	2007	3,987	3,987	-	-	-
Term loans						
- RM	2007-2014	6,862	1,333	954	2,642	1,933
- USD	2007-2011	7,254	1,671	1,587	3,996	-
		21,489	10,042	2,837	6,677	1,933

Group	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
31.12.2005						
Hire purchase liabilities	2008	767	316	218	233	-
Trade bills						
- RM	2007	239	239	-	-	-
- USD	2007	1,591	1,591	-	-	-
- VND	2007	4,354	4,354	-	-	-
Term loans						
- RM	2007-2009	1,392	632	632	128	-
- USD	2007-2011	6,822	1,690	1,696	3,436	-
		15,165	8,822	2,546	3,797	-

13. LOANS AND BORROWINGS (CONT'D)

Hire purchase liabilities

Hire purchase liabilities are payable as follows:

Group	2006			2005		
	Payments RM'000	Interest RM'000	Principal RM'000	Payments RM'000	Interest RM'000	Principal RM'000
Less than one year	337	30	307	359	43	316
Between one and five years	348	13	335	483	32	451
	685	43	642	842	75	767

14. DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Property, plant and equipment	-	-	(1,441)	(1,176)	(1,441)	(1,176)
Revaluation reserve	-	-	(886)	(909)	(886)	(909)
Provisions	192	159	-	-	192	159
	192	159	(2,327)	(2,085)	(2,135)	(1,926)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Unutilised tax losses carry-forward

Year of expiry	Group	
	2006 RM'000	2005 RM'000
2008	460	460
2009	171	171
2010	529	529
2011	1,763	-
	2,923	1,160
At 15%* (2005-15%)	438	174

* Applicable tax rate of foreign subsidiaries.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

notes to the financial statements

for the year ended 31 December 2006

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15. PAYABLES AND ACCRUALS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade				
Trade payables	6,120	5,148	-	-
Non-trade				
Other payables and accrued expenses	4,042	3,448	32	68
Amount due to Directors	418	1,063	-	-
Amount due to a subsidiary	-	-	2,128	3,861
	4,460	4,511	2,160	3,929
	10,580	9,659	2,160	3,929

Trade payables

Trade payables denominated in currencies other than the functional currency comprise the following:

	Vietnam Dong (VND) RM'000	U.S Dollar (USD) RM'000	EURO RM'000	Japanese Yen (YEN) RM'000
2006	4,430	301	8	402
2005	2,857	454	9	726

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 previous years, which are unsecured, interest free and have no fixed terms of repayment.

16. EMPLOYEE BENEFITS

Share based payments

On 28 June 2004, the Group established a share option programme that entitles key management personnel and employees to purchase shares in the Company. The terms and conditions of the grants are as follows whereby all options are settled by physical delivery of shares:

Grant date/employee entitled	Number of instruments '000	Vesting conditions	Contractual life of options
Option granted to all employees on 7 September 2004	5,798	Full time employee on the payroll of a company within the Group as of the exercise date.*	5 years

16. EMPLOYEE BENEFITS (CONT'D)

Share based payments (cont'd)

Grant date/employee entitled	Number of instruments '000	Vesting conditions	Contractual life of options
Option granted to all employees on 1 December 2005	2,118	Full time employee on the payroll of a company within the Group as of the exercise date.	5 years
Total Share Options	7,916		-

* The recognition and measurement principles in FRS 2 have not been applied to these grants as they were granted prior to the effective date of FRS 2.

The number and weighted average prices of share options are as follows:

	Weighted average exercise price 2006	Number of options ('000) 2006	Weighted average exercise price 2005	Number of options ('000) 2005
Outstanding at 1 January	1.00	7,051	1.21	5,688
Granted during the period	-	-	0.50	2,118
Forfeited during the period	0.96	(916)	1.21	(755)
Exercised during the period	-	-	-	-
Outstanding at 31 December	1.00	6,135	1.00	7,051
Exercisable at 31 December	1.03	2,594	1.07	1,536

The options outstanding at 31 December 2006 have an exercise price in the range of RM0.50 to RM1.21 and a weighted average contractual life of three (3) years.

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using Black Scholes pricing model, with the following inputs:

Fair value of share options and assumptions	2006	2005
Fair value at grant date	RM0.09	RM0.09
Weighted average share price	0.46	0.44
Exercise price	0.50	0.50
Expected volatility	41.81%	41.81%
Expected dividend	6.61%	6.61%
Option life (expected weighted average life)	2.67 years	3.67 years
Risk free interest rate (based on Malaysian government bond)	3.71%	3.71%

notes to the financial statements
for the year ended 31 December 2006
(cont'd)

16. EMPLOYEE BENEFITS (CONT'D)

Employee expenses

	Note	Group and Company 2006 RM'000	2005 RM'000
Share options granted in 2005		85	7
Total expense recognised as share-based payments	31	85	7

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17. REVENUE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Sales of goods	84,894	76,712	-	-
Dividend	-	-	2,865	2,921
Management fee	-	-	97	91
	84,894	76,712	2,962	3,012

18. OPERATING PROFIT

	Note	Group		Company	
		2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000 Restated
Operating profit is arrived at after charging:					
Amortisation of goodwill	4	-	39	-	-
Amortisation of prepaid lease payments	5	81	48	-	-
Allowance for doubtful debts	9	115	9	-	-
Allowance for diminution in value of investments	8	-	12	-	-
Auditors' remuneration					
- Statutory audit					
KPMG		65	61	17	16
Affiliates of KPMG		89	76	-	-
Other auditors		8	8	-	-
- Other services					
KPMG		5	5	5	5
Depreciation on property, plant and equipment	3	4,220	3,818	-	-
Interest income		163	142	229	399

18. OPERATING PROFIT (CONT'D)

	Note	Group		Company	
		2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000 Restated
Interest expense on:					
- Term loans		903	396	-	-
- Trade bills		346	596	-	-
- Hire purchase liabilities		53	78	-	-
- Bank overdrafts		5	2	-	-
Inventories written down	10	26	110	-	-
Loss on disposal of property, plant and equipment		22	-	-	-
Net foreign exchange loss		299	622	198	42
Personnel expenses (including key management personnel):					
- Contributions to Employee Provident Fund		924	847	-	-
- Share-based payments	16	85	7	85	7
- Wages, salaries and others		12,143	10,974	155	133
Rental expenses		525	629	-	-
and after crediting:					
Allowance for doubtful debts written back		-	18	-	-
Dividend income from unquoted shares of:					
- subsidiaries		-	-	2,865	2,921
- a jointly controlled entity		526	401	-	-
Gain on disposal of plant and and equipment		-	85	-	-
Rental income		87	95	-	-
Reversal of allowance for diminution in value of investments	8	28	-	-	-

19. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Note	Group		Company	
		2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000 Restated
Directors:					
- Fees		245	223	155	133
- Remuneration		2,061	2,119	-	-
- Share-based payments		12	1	12	1
		2,318	2,343	167	134

notes to the financial statements
for the year ended 31 December 2006
(cont'd)

20. TAX EXPENSE

	Group		Company	
	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000 Restated
Recognised in the income statement				
Tax expense	1,157	993	120	91
Share of tax of jointly controlled entity	26	15	-	-
Total tax expense	1,183	1,008	120	91

Major components of tax expense include:

Current tax expense

Malaysia				
- current year provision	637	704	120	91
- under provision in prior years	115	54	-	-
Overseas				
- current year provision	196	159	-	-
Total current tax recognised in the income statement	948	917	120	91

Deferred tax expense

Origination and reversal of temporary differences	230	99	-	-
Reversal of deferred tax liabilities on crystallisation of revaluation reserves	(21)	(23)	-	-

Total deferred tax recognised in the income statement	209	76	-	-
Share of tax of jointly controlled entity	26	15	-	-
Total tax expense	1,183	1,008	120	91

Reconciliation of effective tax expense

Profit for the year	7,165	5,916	2,506	2,983
Total tax expense	1,183	1,008	120	91
Profit excluding tax	8,348	6,924	2,626	3,074

20. TAX EXPENSE (CONT'D)

Reconciliation of effective tax expense (cont'd)

	Group		Company	
	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000 Restated
Income tax using Malaysian tax rate	2,338	1,938	735	861
Effects of different tax rates in foreign jurisdictions	(862)	(623)	-	-
Effect of using different tax rate for chargeable income of up to RM500,000 (2005 - RM500,000) of certain subsidiaries	(110)	(80)	-	-
Non deductible expenses	304	133	-	2
Tax incentives	(670)	(200)	-	-
Tax exempt income	(80)	(224)	(615)	(772)
Reversal of deferred tax liabilities on crystallisation of revaluation reserves of property, plant and equipment	(21)	(23)	-	-
Deferred tax asset not recognised	264	-	-	-
Other items	(95)	33	-	-
Under provision in prior years	115	54	-	-
	1,183	1,008	120	91

21. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2006 was based on profit attributable to ordinary shareholders and a weighted average of ordinary shares outstanding calculated as follows:

	Group	
	2006 RM'000	2005 RM'000 Restated
Profit for the year attributable to ordinary shareholders	7,830	5,775

Weighted average number of ordinary shares

	Group	
	2006	2005
Issued ordinary shares at 1 January	89,987,500	90,000,000
Effect of treasury shares held	(161,467)	(342)
Weighted average number of ordinary shares at 31 December	89,826,033	89,999,658

notes to the financial statements

for the year ended 31 December 2006
(cont'd)

21. EARNINGS PER ORDINARY SHARE (CONT'D)

Basic earnings per ordinary share (cont'd)

	Group	
	2006	2005
	Sen	Sen Restated
Basic earnings per share (in sen)	8.7	6.4

Diluted earnings per share

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

22. DIVIDENDS

Dividends recognised in the current year by the Company are:

31.12.2006	Sen per share (net of tax)	Total amount RM'000	Date of payment
Final 2005 ordinary	2.50	2,246	28 July 2006
Final 2005 ordinary	0.36	323	28 July 2006
Total amount		<u>2,569</u>	
31.12.2005			
Final 2004 ordinary	2.60	2,340	28 July 2005
Final 2004 ordinary	0.40	356	28 July 2005
Total amount		<u>2,696</u>	

After the balance sheet date the following dividends were proposed by the Directors. These dividends will be recognised in the subsequent financial reports upon approval by the shareholders.

	Sen per share (net of tax)	Total amount RM'000
Final ordinary	2.75	2,475
Final ordinary	0.18	162
Total amount		<u>2,637</u>

23. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

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 comprise mainly investments, and related revenue, loans and borrowings and related expenses, corporate assets and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets, if any, other than goodwill.

Inter-segment pricing is determined on an arm's length basis.

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 rigid webbings, 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.

notes to the financial statements
for the year ended 31 December 2006
(cont'd)

23. SEGMENTAL INFORMATION (CONT'D)

	Webbing, yarn and furniture components		Rubber strips and fabrics		Others		Eliminations		Consolidated	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Business Segments										
Revenue										
from external customers	59,650	53,660	23,137	21,213	2,107	1,839	-	-	84,894	76,712
Inter-segment revenue	4,257	3,819	250	293	368	207	(4,875)	(4,319)	-	-
Total revenue	63,907	57,479	23,387	21,506	2,475	2,046	(4,875)	(4,319)	84,894	76,712
Segment result	7,424	5,910	1,878	1,740	(355)	(76)	-	(38)	8,947	7,536
Operating profit									8,947	7,536
Finance costs									(1,307)	(1,072)
Interest income									163	142
Share of profit in jointly controlled entity									519	303
Profit before tax									8,322	6,909
Tax expense									(1,157)	(993)
Profit for the year									7,165	5,916
Attributable to:										
Shareholders of the Company									7,830	5,775
Minority interest									(665)	141
Profit for the year									7,165	5,916

23. SEGMENTAL INFORMATION (CONT'D)

	Webbing, yarn and furniture components		Rubber strips and fabrics		Others		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	62,738	61,286	27,054	24,769	6,703	3,434	-	-	96,495	89,489
Investment in a jointly controlled entity	995	1,002	-	-	-	-	-	-	995	1,002
	63,733	62,288	27,054	24,769	6,703	3,434	-	-	97,490	90,491
Unallocated assets									2,956	1,321
Total assets									100,446	91,812
Segment liabilities	24,887	19,726	6,289	4,149	92	148	801	801	32,069	24,824
Unallocated liabilities									2,194	1,961
Total liabilities									34,263	26,785
Capital expenditure	6,266	5,206	3,085	1,649	-	-	-	-	9,351	6,855
Prepaid lease payments	-	2,624	-	-	-	-	-	-	-	2,624
Depreciation and amortisation	2,656	2,346	1,563	1,471	1	1	-	-	4,220	3,818
Amortisation of prepaid lease payments	56	23	-	-	25	25	-	-	81	48

24. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business.

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. In prior years, the Company charged interest on outstanding amounts due from its foreign subsidiaries at 7% per annum, as disclosed in Note 9 in the financial statements.

notes to the financial statements
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24. FINANCIAL INSTRUMENTS (CONT'D)

Effective interest rates and repricing analysis

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

Group	Note	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
Fixed rate instruments									
Deposits placed with licensed banks									
- RM	11	3.0 - 3.7	2,224	2,224	-	-	-	-	-
- USD	11	7.1	49	-	49	-	-	-	-
Hire purchase liabilities	13	5.5 - 5.9	(642)	(307)	(296)	(39)	-	-	-
			1,631	1,917	(247)	(39)	-	-	-
Floating rate instruments									
Trade bills									
- RM	13	5.2 - 8.4	(282)	(282)	-	-	-	-	-
- USD	13	6.4 - 6.9	(2,462)	(2,462)	-	-	-	-	-
- VND	13	9.5 - 10.5	(3,987)	(3,987)	-	-	-	-	-
Term loans									
- RM	13	6.3 - 8.3	(6,862)	(6,862)	-	-	-	-	-
- USD	13	6.8 - 7.2	(7,254)	(7,254)	-	-	-	-	-
			(20,847)	(20,847)	-	-	-	-	-

24. FINANCIAL INSTRUMENTS (CONT'D)

Group (Cont'd)	Note	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
Fixed rate instruments									
Deposits placed with licensed banks									
- RM	11	2.2 - 3.7	2,605	2,605	-	-	-	-	-
Hire purchase liabilities	13	5.7 - 5.9	(767)	(316)	(218)	(202)	(31)	-	-
			1,838	2,289	(218)	(202)	(31)	-	-
Floating rate instruments									
Trade bills									
- RM	13	7.8	(239)	(239)	-	-	-	-	-
- USD	13	5.5 - 6.5	(1,591)	(1,591)	-	-	-	-	-
- VND	13	7.0 - 9.5	(4,354)	(4,354)	-	-	-	-	-
Term loans									
- RM	13	7.75	(1,392)	(1,392)	-	-	-	-	-
- USD	13	5.2 - 6.5	(6,822)	(6,822)	-	-	-	-	-
			(14,398)	(14,398)	-	-	-	-	-
Company									
31.12.2006									
Fixed rate instruments									
Deposits placed with licensed banks									
- RM	11	3.3	734	734	-	-	-	-	-
			734	734	-	-	-	-	-
31.12.2005									
Fixed rate instruments									
Amount due from a subsidiary									
	9	7.0	4,218	4,218	-	-	-	-	-
			4,218	4,218	-	-	-	-	-

notes to the financial statements

for the year ended 31 December 2006

(cont'd)

24. FINANCIAL INSTRUMENTS (CONT'D)

Foreign currency risk

The Group is exposed to foreign exchange rate risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk is primarily U.S. 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.

Fair values

The carrying amounts of cash and cash equivalents, receivables, deposits and prepayments, payables and accruals, and short term borrowings, approximate fair values due to the relatively short term nature of these financial instruments.

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit terms is remote.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the balance sheets, are as follows.

Group	Note	2006		2005	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Deposits placed	11	2,273	2,273	2,605	2,605
Quoted shares	8	66	66	38	38
Hire purchase liabilities	13	(642)	(694)	(767)	(779)
Trade bills	13	(6,731)	(6,731)	(6,184)	(6,184)
Secured term loans	13	(14,116)	(14,116)	(8,214)	(8,214)
		(19,150)	(19,202)	(12,522)	(12,534)

Estimation of fair values

The following summarises the methods used in determining the fair values of financial instruments reflected in the table.

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

For other financial assets and liabilities, fair value is determined using estimated future cash flows discounted using market related rate for a similar instrument at the balance sheet date.

The interest rate used to discount estimated cash flows are as follows:

	2006	2005
Secured bank loans	7.47%	5.76%
Hire purchase liabilities	5.76%	5.78%

25. OPERATING LEASES

Non-cancellable operating lease rentals are as follows:

	Group	
	2006 RM'000	2005 RM'000
Less than one year	248	440
Between one and five years	1,139	1,719
More than five years	8,202	13,218
	9,589	15,377

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.

26. COMMITMENTS

	Company	
	2006 RM'000	2005 RM'000
Capital commitments:		
Property, plant and equipment		
Contracted but not accounted for in financial statements	-	2,570

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

27. CORPORATE GUARANTEES

The Company has extended corporate guarantees in favour of third parties for banking and credit facilities granted to its subsidiaries amounting to RM53,067,000 (2005 - RM46,747,000).

28. RELATED PARTIES

Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its subsidiaries, jointly controlled entity, corporation in which a Director of a subsidiary has interest, Directors and key management personnel.

notes to the financial statements

for the year ended 31 December 2006

(cont'd)

28. RELATED PARTIES (CONT'D)

Transactions with key management personnel:

Key management personnel compensation

Key management personnel compensation is disclosed in Note 19.

Transactions with key management personnel other than compensation

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:-

Group

	Transaction	Note	Transaction value year ended 31 December		Balance outstanding as at 31 December	
			2006	2005	2006	2005
			RM'000	RM'000	RM'000	RM'000
Ningbo Yong Ao Metal Products Co., Ltd.	Purchases	a	-	213	-	-
	Royalty		12	-	-	-
Firstex Knitting Sdn. Bhd.	Rental	b	180	180	44	-

Note a

The Group purchases from Ningbo Yong Ao Metal Products Co., Ltd., a company that owns 30% of Furnitech Components (Vietnam) Co. Ltd., a subsidiary. Amounts were billed based on normal market rates for such supplies and were due and payable under normal payment terms.

Note b

The Group rents from Firstex Knitting Sdn. Bhd, a company in which a director of a subsidiary has interest. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

Other related party transactions

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Subsidiaries				
Management fees charged	-	-	97	91
Dividend receivable	-	-	2,865	2,921
Interest received	-	-	179	363
Jointly controlled entity				
Dividend received/receivable	526	401	-	-
Jointly venture partner:				
Trunature Limited Sales	896	531	-	-

28. RELATED PARTIES (CONT'D)

Balances with subsidiaries and jointly controlled entity at balance sheet are disclosed in Notes 9 and 15 to the financial statements.

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within reasonable trade terms. None of the balances is secured.

29. ACQUISITION OF MINORITY INTEREST

On 25 January 2006, Furniweb Manufacturing Sdn. Bhd., a wholly owned subsidiary of the Company acquired the remaining 40% equity interest in Furniweb-VOA Safety Webbing Sdn. Bhd. for RM4,000,000 in cash, increasing its ownership from 60% to 100%. The Group recognised a decrease in minority interests of RM2,766,000 and goodwill of RM1,234,000 (see Note 4).

30. SIGNIFICANT EVENT AND SUBSEQUENT EVENT

Significant event during the year

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

Subsequent event

On 16 January 2007, the Group announced that it is exploring the possibility of listing a wholly owned subsidiary, Furniweb Manufacturing (Vietnam) Co. Ltd., on the Ho Chi Minh City Securities Trading Centre.

31. CHANGES IN ACCOUNTING POLICIES

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2006.

The change in accounting policy arising from the adoption of FRS 2, *Share-based Payment* is summarised below:-

FRS 2, *Share-based Payment*

In accordance with the transitional provisions, FRS 2 has been applied to all grants after 1 January 2005. The adoption of FRS 2 has resulted in a change in the Group's accounting policy for share-based payments, whereby the Group charges the cost of share options to the income statement. The change in accounting policy is made in accordance with their transitional provisions.

notes to the financial statements

for the year ended 31 December 2006

(cont'd)

31. CHANGES IN ACCOUNTING POLICIES (CONT'D)

FRS 2, *Share-based Payment* (cont'd)

The adoption of FRS 2 resulted in:

	Group	
	2006	2005
	RM'000	RM'000
		Restated
Income statement for the year ended 31 December		
Increase in other expenses	85	7
Balance sheet at 31 December		
Cumulative decrease in opening retained earnings	(7)	-
Cumulative increase in opening share option reserve	7	-

The change in accounting policy has no material impact on earnings per share.

FRS 3, *Business Combinations*, FRS 136, *Impairment of Assets* and FRS 138, *Intangible Assets*

The adoption of FRS 3, FRS 136 and FRS 138 has resulted in a change in the accounting policy for goodwill. The change in accounting policy is made in accordance with their transitional provisions.

Goodwill is stated at cost less accumulated impairment losses and is no longer amortised. Instead, goodwill impairment is tested annually, or when circumstances change, indicating that goodwill might be impaired. Negative goodwill is recognised immediately in the income statement.

Had there not been a change in accounting policy, the net profit attributable to shareholders for the financial year ended 31 December 2006 would decrease by RM39,000 as follows:

	Group
	2006
	RM'000
Income statement for the year ended 31 December	
Goodwill amortisation which would be charged to the income statement	39
	39

This change in accounting policy has no material impact on earnings per share.

FRS 117, *Leases*

The Group had previously classified lease of land as finance lease and had recognised the amount of prepaid lease payments as property within its property, plant and equipment. On early adoption of FRS 117, *Leases*, the Group treats such a lease as an operating lease, with the unamortised carrying amount classified as prepaid lease payments in accordance with the transitional provisions in FRS 117.67A.

This change in accounting policy has no material impact on earnings per share.

32. COMPARATIVE FIGURES

Certain comparative figures have been reclassified as a result of changes in accounting policies as stated in Note 31 and to conform with the presentation requirements of FRS 101.

	Group		Company	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Balance sheet				
Property, plant and equipment	34,347	38,640	-	-
Prepaid lease payments	4,293	-	-	-
Reserves	266	259	279	272
Retained earnings	15,134	15,141	3,391	3,398
Loans and borrowings - non current	6,343	5,958	-	-
Loans and borrowings - current	8,822	9,207	-	-
Income statements				
Other expenses	(1,086)	(1,079)	(49)	(42)
Depreciation (Note 18)	3,818	3,866	-	-
Amortisation of prepaid lease payments (Note 18)	48	-	-	-
Statements of changes in equity				
Reserves at 31 December 2005	266	259	279	272
Retained earnings at 31 December 2005	15,134	15,141	3,391	3,398

Following the adoption of FRS 3, *Business Combinations*, minority interests was reclassified into equity, likewise in arriving at profit for the year minority interests was not deducted.

Leasehold land amounting to RM4,293,000 in 2005 was reclassified from property, plant and equipment to prepaid lease payments to comply with the requirements of FRS 117, *Leases*.

List of Group Properties

Address	Owner	Description	Age	Tenure / Expiry	Existing Use	Land Area (Sq ft.)	Carrying Value as at 31/12/2006 (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	14	Leasehold (60 years)/ 9 Jul 2041	Industrial	51,905	2,852,512	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 double storey industrial factory	14	Leasehold (60 years)/ 2 Sept 2040	Industrial	56,253	3,136,644	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 years)/ 3 Jul 2083	N/A	85,887	2,590,156	*27/09/2005
No. 18, Road 3A, 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	8	Lease (47 years)/ 15 Jan 2044	Industrial	150,544	3,682,983	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)	23	Freehold	Residential	840	99,360	*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 and car parking sheds	16	Freehold	Industrial	50,444	2,484,792	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	4	Lease (46 years)/ 28 Feb 2048	Industrial	280,755	2,553,282	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	2	Lease (44 years)/ 22 Jan 2048	Industrial	242,436	1,909,965	Not Available

THERE WAS NO REVALUATION ON THE LAND AND PROPERTIES OWNED BY THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006.

Analysis of Shareholdings

Authorised Share Capital	:	RM100,000,000
Issued and Fully Paid-up Capital	:	RM45,261,150
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	1 vote per ordinary share

ANALYSIS OF SHAREHOLDINGS AS AT 7 MAY 2007

Category	No. of holders	%	No. of shares	%
1 - 99	96	7.52	3,674	0.00
100 - 1,000	171	13.39	59,728	0.07
1,001 - 10,000	706	55.29	2,556,553	2.83
10,001 - 100,000	245	19.19	6,873,967	7.61
100,001 to less than 5% of issued shares	56	4.38	32,571,878	36.07
5% and above of issued shares	3	0.23	48,247,600	53.42
Total	1,277	100.00	90,313,400 *	100.00

* Excluding a total of 208,900 shares bought back by Furniweb Industrial Products Berhad and retained as treasury shares as at 7 May 2007.

DIRECTORS' SHAREHOLDINGS AS AT 7 MAY 2007 (Per Register of Directors' Shareholdings)

Directors	Direct		Indirect	
	No. of shares	%	No. of shares	%
Dato' Lim Heen Peok	34,000	0.04	-	-
Cheah Eng Chuan	13,274,598	14.70	22,500,002 ⁽¹⁾	24.91
Chua Carmen	12,523,000	13.87	-	-
Ong Lock Hoo	4,523,912	5.01	-	-
Lee Sim Hak	2,692,051	2.98	-	-
Dato' Hamzah bin Mohd Salleh	200,000	0.22	-	-
Dato' Haji Johar bin Murat @ Murad	-	-	-	-
Lim Chee Hoong	-	-	-	-

SUBSTANTIAL SHAREHOLDERS AS AT 7 MAY 2007 (Per Register of Substantial Shareholders)

Shareholder	Direct		Indirect	
	No. of shares	%	No. of shares	%
Solid Rating Sdn Bhd	22,500,002	24.91	-	-
Cheah Eng Chuan	13,274,598	14.70	22,500,002 ⁽¹⁾	24.91
Chua Carmen	12,523,000	13.87	-	-
Ong Lock Hoo	4,523,912	5.01	-	-

Note:

- 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 (cont'd)

TOP 30 SHAREHOLDERS AS AT 7 MAY 2007

	Name of Shareholder	No. of Shares Held	Percentage %
1	SOLID RATING SDN BHD	22,500,002	24.91
2	CHEAH ENG CHUAN	13,224,598	14.64
3	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : <i>PLEGDED SECURITIES ACCOUNT FOR CHUA CARMEN (DEALER 072)</i>	12,523,000	13.87
4	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : <i>PUBLIC SMALLCAP FUND</i>	3,926,000	4.35
5	ONG LOCK HOO	3,564,023	3.95
6	CHAN KWONG POOI	1,988,690	2.20
7	TAN WAH CHING	1,964,800	2.18
8	LAI KONG MENG	1,863,690	2.06
9	LEE SIM HAK	1,710,718	1.89
10	TAY KING @ TAY GEE TIONG	1,280,941	1.42
11	MAYBAN NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : <i>MAYBAN TRUSTEES BERHAD FOR BALANCED RETURNS FUND (N14011980060)</i>	1,124,138	1.24
12	MERRY NOEL ROBERT	965,200	1.07
13	ONG LOCK HOO	959,889	1.06
14	LEE KIM LIAN	806,138	0.89
15	PANG YUET FAH	786,938	0.87
16	HSBC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : <i>HSBC (M) TRUSTEE BHD FOR HWANG-DBS DANA IZDIHAR (4207)</i>	738,750	0.82
17	FIRSTEX KNITTING INDUSTRY SDN BHD	691,442	0.77
18	PANG YUET FAH	562,500	0.62

analysis of shareholdings (cont'd)

TOP 30 SHAREHOLDERS AS AT 7 MAY 2007 (CONT'D)

Name of Shareholder	No. of Shares Held	Percentage %
19 RC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : <i>PLEDGED SECURITIES ACCOUNT FOR LEE SIM HAK (M)</i>	556,875	0.62
20 CHAN KWONG POOI	461,100	0.51
21 KINTEX (K.L) SDN BHD	454,800	0.50
22 LIM SHIU HO	450,200	0.50
23 HSBC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : <i>HSBC (M) TRUSTEE BHD FOR HWANG-DBS SELECT SMALL CAPS FUND (4579)</i>	444,975	0.49
24 KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : <i>PLEDGED SECURITIES ACCOUNT FOR W ISMAIL BIN W NIK</i>	443,213	0.49
25 LEE SIM HAK	424,458	0.47
26 TAN HAN CHONG	390,000	0.43
27 CHAN WENG SOONG	388,250	0.43
28 AMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : <i>PLEDGED SECURITIES ACCOUNT FOR LEE BOON SIONG</i>	350,000	0.39
29 KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : <i>KENANGA CAPITAL SDN BHD FOR W ISMAIL BIN W NIK</i>	350,000	0.39
30 VOON KON TOONG	329,750	0.37
	76,225,078	84.40

Appendix I

Chua Carmen
91 Jalan Medang Tanduk
Bukit Bandaraya
59100 Kuala Lumpur

Date: 16 May 2007

The Board of Directors
FURNIWEB INDUSTRIAL PRODUCTS BERHAD
Lot 208, Jalan Sungai Besi
Batu 12, Kg. Baru Balakong
43300 Cheras
Selangor Darul Ehsan

Dear Sirs,

RE: CHANGE OF AUDITORS

I, being a shareholder of the Company, hereby give notice, pursuant to Section 172(11) of the Companies Act, 1965 of my intention to nominate Messrs BDO Binder for appointment as Auditors of the Company in place of the retiring auditors, Messrs KPMG and to propose the following motion as an ordinary resolution to be tabled at the forthcoming Annual General Meeting of the Company:-

“THAT Messrs BDO Binder be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs KPMG, and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors.”

Yours faithfully



.....
CHUA CARMEN

Appendix II

PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

The Articles of Association of the Company are proposed to be amended in the following manner:

ARTICLE NO.	EXISTING PROVISIONS		PROPOSED AMENDMENTS
2	<p>“Central Depository” means Malaysian Central Depository Sdn. Bhd. (Company No. 165570-W)</p> <p>“Depositor” means a holder of a securities account as defined in the Central Depositories Act</p> <p>“Deposited Security” means a security in the Company standing to the credit of a securities account of a Depositor subject to the provisions of the Central Depositories Act and the Rules</p> <p>“Exchange” means Kuala Lumpur Stock Exchange and/or any other Exchange on which the Company is listed.</p> <p>“Member or Members” means any person/persons for the time being holding shares in the Company and whose names appear in the Register of Members and includes Depositors whose names appear on the Record of Depositors shall be treated as if he were a member pursuant to section 35 of the Central Depositories Act but excludes the Central Depository in its capacity as a bare trustee</p> <p>“Rules” means the Rules of the Central Depository and any appendices thereto</p>	2	<p>“Depository” means Bursa Malaysia Depository Sdn. Bhd.</p> <p>“Depositor” means a holder of a securities account established by the Depository</p> <p>“Deposited Security” shall have the meaning given in section 2 of the Securities Industry (Central Depositories) Act 1991</p> <p>“Exchange” means Bursa Malaysia Securities Berhad</p> <p>“Member or Members” includes a depositor who shall be treated as if he were a member pursuant to section 35 of the Securities Industry (Central Depositories) Act 1991 but excludes the Depository in its capacity as a bare trustee</p> <p>“Rules of the Depository” shall have the meaning given in section 2 of the Securities Industry (Central Depositories) Act 1991</p>

PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION (CONT'D)

ARTICLE NO.	EXISTING ARTICLES		PROPOSED AMENDMENTS
5	<p>Without prejudice to any special rights previously conferred on the holders of any shares or classes of shares already issued but subject to the provisions of the Act, the Central Depositories Act, the Rules and these Articles, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed. The total nominal value of the issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time and the Company shall not issue preference shares ranking in priority above preference shares already issued, but may issue preference shares ranking equally therewith. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and audited accounts and attending general meetings of the Company. The holder of a preference share shall be entitled to a return of capital in preference to holders of ordinary shares when the company is wound up. Preference shareholders shall also have the right to vote at any general meeting convened for the following purposes:-</p> <p>(a) on a proposal to reduce the Company's share capital;</p> <p>(b) on a proposal to wind up or during the winding up of the Company;</p> <p>(c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;</p> <p>(d) where any resolution to be submitted to the meeting affects their rights and privileges attached to the preference shares; and</p> <p>(e) when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months.</p>	5	<p>Without prejudice to any special rights previously conferred on the holders of any shares or classes of shares already issued but subject to the provisions of the Act, the Central Depositories Act, the Rules and these Articles, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed. The Company shall not issue preference shares ranking in priority above preference shares already issued, but may issue preference shares ranking equally therewith. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and audited accounts and attending general meetings of the Company. Preference shareholders shall also have the right to vote at any general meeting convened for the following purposes:-</p> <p>(a) on a proposal to reduce the Company's share capital;</p> <p>(b) on a proposal to wind up or during the winding up of the Company;</p> <p>(c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;</p> <p>(d) where any resolution to be submitted to the meeting affects their rights and privileges attached to the preference shares; and</p> <p>(e) when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months.</p>

PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION (CONT'D)

ARTICLE NO.	EXISTING ARTICLES		PROPOSED AMENDMENTS
26	Subject to the Rules and Listing Requirements, the transfer of any securities may be suspended at such times and for such periods as the Directors may from time to time determine. Twelve (12) clear market days' notice, or such other period as may from time to time be specified by the Exchange governing the Register concerned, of intention to close the Register shall be published in a daily newspaper circulating in Malaysia and shall also be given to the Exchange. At least three (3) Market Days prior notice shall be given to the Central Depository to issue the Record of Depositors.	26	Subject to the Rules and Listing Requirements, the transfer of any securities may be suspended at such times and for such periods as the Directors may from time to time determine. Ten (10) clear market days' notice, or such other period as may from time to time be specified by the Exchange governing the Register concerned, of intention to close the Register shall be published in a daily newspaper circulating in Malaysia and shall also be given to the Exchange. At least three (3) Market Days prior notice shall be given to the Central Depository to issue the Record of Depositors.
60	The Company shall request the Central Depository in accordance with the Rules, to issue a Record of Depositors, as at a date not less than three (3) market days before the general meeting (hereinafter referred to as "the General Meeting Record of Depositors").	60	The Company shall request the Depository in accordance with the Rules of the Depository, to issue a Record of Depositors as at the latest date which is reasonably practicable which shall be in any event be not less than, three (3) Market Days before the general meeting (hereinafter referred to as "the General Meeting Record of Depositors").
72	Subject to any rights or restrictions for the time being attached to any class of shares at meetings of Members or classes of Members and Article 59 to Article 61 above, each Member shall be entitled to be present and to vote at any general meeting in respect of any share or shares upon which all calls due to the Company have been paid, and may vote in person or by proxy or by attorney or by duly authorised representative, and on a show of hands, every person who is a Member or proxy or attorney or representative of a Member shall have one (1) vote, and on a poll, every Member present in person or by proxy or attorney or representative shall have one (1) vote for each share he holds.	72	Subject to Articles 59 to Article 61 above and any rights or restrictions for the time being attached to any class or classes of shares:- (1) at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney or in the case of a corporation by a representative duly authorised in respect of any shares upon which all calls due to the Company have been paid; (2) on a show of hands a holder of ordinary share or preference share who is personally present or by proxy or by attorney or in case of a corporation by a representative duly authorised and entitled to vote shall be entitled to one (1) vote, and on a poll, every Member present in person or by proxy or attorney or representative shall have one (1) vote for each share he holds.

appendix II
(cont'd)

PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION (CONT'D)

ARTICLE NO.	EXISTING ARTICLES		PROPOSED AMENDMENTS
95	(a) has a Receiving Order in bankruptcy made against him or makes any arrangement or composition with his creditor generally; (d) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder;	95	(a) has a Receiving Order in bankruptcy made against him during his term of office or makes any arrangement or composition with his creditor generally; (d) becomes of unsound mind during his term of office;

No. of Shares held
CDS Account No.

Proxy Form

I/We, _____ NRIC/Company No. _____
(Full name in block letters)

of _____
(Full address)

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

_____ (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 Sixth 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, 25 June 2007 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 2006 together with the Directors' and Auditors' Reports thereon		
2. To approve a final dividend of 2.75 sen per share tax exempt and 0.25 sen per share less tax for the financial year ended 31 December 2006		
3. To approve the payment of Directors' fees for the financial year ended 31 December 2006		
4. To re-elect Cheah Eng Chuan retiring in accordance with Article 84 of the Company's Articles of Association		
5. To re-elect Lim Chee Hoong retiring in accordance with Article 84 of the Company's Articles of Association		
6. To re-elect Dato' Haji Johar bin Murat @ Murad retiring in accordance with Article 84 of the Company's Articles of Association		
7. To appoint Messrs BDO Binder as auditors of the Company in place of the retiring auditors, Messrs KPMG 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. Propose renewal of Authority for Share Buy-Back		
11. Proposed amendment to the Company's Articles of Association		

*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 _____ 2007

Signature or Common Seal of Shareholder(s)

Notes:

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

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.



Texstrip Manufacturing Sdn. Bhd.



First Elastic Corporation (M) Sdn. Bhd.



Trunet (Vietnam) Co., Ltd.



Head Office

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

Mailing Address

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Tel: 603-89611803 (Hunting Line), 89611814 Fax: 603-89612826, 51212772

Email: general@furniweb.com.my Website: <http://www.furniweb.com.my>