FURNIWEB

INDUSTRIAL PRODUCTS BERHAD

(Company No : 541706-V)

annual report **2008**

CONTENTS

NOTICE OF EIGHTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE EIGHTH ANNUAL GENERAL MEETING OF FURNIWEB INDUSTRIAL PRODUCTS BERHAD ("FIPB") WILL BE HELD AT NAKHODA 2, LEVEL 3, HOTEL ARMADA PETALING JAYA, LORONG UTARA C, SECTION 52, 46200 PETALING JAYA, SELANGOR DARUL EHSAN ON TUESDAY 23 JUNE 2009 AT 10.00 A.M. FOR THE FOLLOWING PURPOSES:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2008 together with the Directors' and Auditors' Reports thereon. **ORDINARY RESOLUTION 1**

2. To approve a final tax exempt dividend of 3.00 sen per share for the financial year ended 31 December 2008. **ORDINARY RESOLUTION 2**

3. To approve the payment of Directors' fees of RM290,000 for the financial year ended 31 December 2008. **ORDINARY RESOLUTION 3**

4. To re-elect the following Directors who retire in accordance with Article 84 of the Company's Articles of Association:

   4.1 Ong Lock Hoo; and **ORDINARY RESOLUTION 4**
   4.2 Dato' Hamzah Bin Mohd Salleh **ORDINARY RESOLUTION 5**

5. To re-elect Chua Carmey who retires in accordance with Article 91 of the Company's Articles of Association. **ORDINARY RESOLUTION 6**

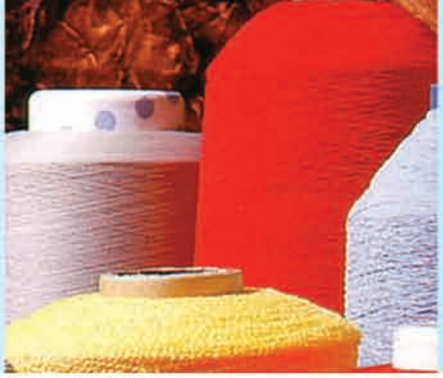
6. To re-appoint Messrs BDO Binder as the Company's Auditors for the ensuring year and to authorise the Directors to fix their remuneration. **ORDINARY RESOLUTION 7**

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modifications, the following resolutions as Ordinary Resolutions:

7. **AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ISSUE SHARES** **ORDINARY RESOLUTION 8**

   "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."



8. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WHICH ARE IN THE ORDINARY COURSE OF BUSINESS ("PROPOSED SHAREHOLDERS' MANDATE")**
ORDINARY RESOLUTION 9

"THAT, subject to the Companies Act, 1965 ("the Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as specified in Section 2.3 of the Circular to Shareholders dated 1 June 2009, provided that such arrangements and/or transactions which are necessary for the Group's day-to-day operations are undertaken in the ordinary course of business, at arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders of the Company.

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

i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at such AGM whereby the authority is renewed; or

ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

iii) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting;

whichever is 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 Proposed Shareholders' Mandate."

9. **PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK** **ORDINARY RESOLUTION 10**

"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 2008 are RM12.242 million and RM0.368 million respectively;

c) The authority conferred by this resolution will be effective upon the passing of this resolution and will continue to be in force until:

   i) the conclusion of the next AGM of the Company following the general meeting at which such resolution was passed, at which time the said authority will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

   ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

   iii) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting;

   whichever is earlier;

9. **PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK (cont'd)**

   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 manner:

      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."

10. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT a final tax exempt dividend of 3.00 sen per share for the financial year ended 31 December 2008, if approved by the shareholders at the forthcoming Eighth Annual General Meeting, will be paid on 24 July 2009 to depositors registered in the Record of Depositors at the close of business on 10 July 2009.

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 10 July 2009 in respect of transfer; and

b) Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

BY ORDER OF THE BOARD

YEOH CHONG KEAT (MIA 2736)
CHONG SIEW DUAN (MAICSA 7019353)
Secretaries

Kuala Lumpur
1 June 2009

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 Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

(iii) A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

(iv) Where a member is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(v) If the appointor is a corporation this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

EXPLANATORY NOTES UNDER SPECIAL BUSINESS

(a) **Ordinary Resolution 8 - Authority under Section 132D Of The Companies Act, 1965 for the Directors to issue shares**

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 Employee Share Option Scheme ("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, Proposed Ordinary Resolution 8 under Agenda 7 above, 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 Meetings 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.

(b) **Ordinary Resolution 9 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

The Proposed Resolution 9 under Agenda 8 above, if passed, will enable the Company and/or its subsidiaries to continue entering into specified recurrent related party transactions of a revenue or trading nature as set out in Section 2.3 of the Circular to Shareholders of the Company dated 1 June 2009 with the specified classes of related parties mentioned therein which are necessary for the Group's day-to-day operations. For further information on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, please refer to the Circular to Shareholders dated 1 June 2009 despatched together with the Company's 2008 Annual Report.

(c) **Ordinary Resolution 10 - Renewal of Authority for Share Buy-Back**

The Proposed Resolution 10 under Agenda 9 above, 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. For further information on the Proposed Renewal of Authority for Share Buy-Back, please refer to the Circular to Shareholders dated 1 June 2009 despatched together with the Company's 2008 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF EIGHTH ANNUAL GENERAL MEETING

Details of Directors who are standing for re-election in Agenda 4.1 (Ong Lock Hoo), Agenda 4.2 (Dato' Hamzah Bin Mohd Salleh) and Agenda 5 (Chua Carmey) of the Notice of Eighth Annual General Meeting are set out in the Directors' Profile appearing on pages 14 to 15 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 Carmey
Non-Independent Non-Executive Director

COMPANY SECRETARIES

Yeoh Chong Keat (MIA 2736)
Chong Siew Duan (MAICSA 7019353)

REGISTERED OFFICE

Suite 11.1A, Level 11
Menara Weld
76 Jalan Raja Chulan
50200 Kuala Lumpur
Tel : (603) 2031 1988
Fax : (603) 2031 9788

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

AUDITORS

BDO Binder (Firm No. AF 0206)
12th Floor Menara Uni.Asia
1008 Jalan Sultan Ismail
50250 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

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)
Level 21, Menara MIDF
82 Jalan Raja Chulan
50200 Kuala Lumpur

Public Bank Berhad (6463-H)
F-07, F-08 & F-09
Jalan SS 6/5B
Dataran Glomac
Pusat Bandar Kelana Jaya
47301 Petaling Jaya

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

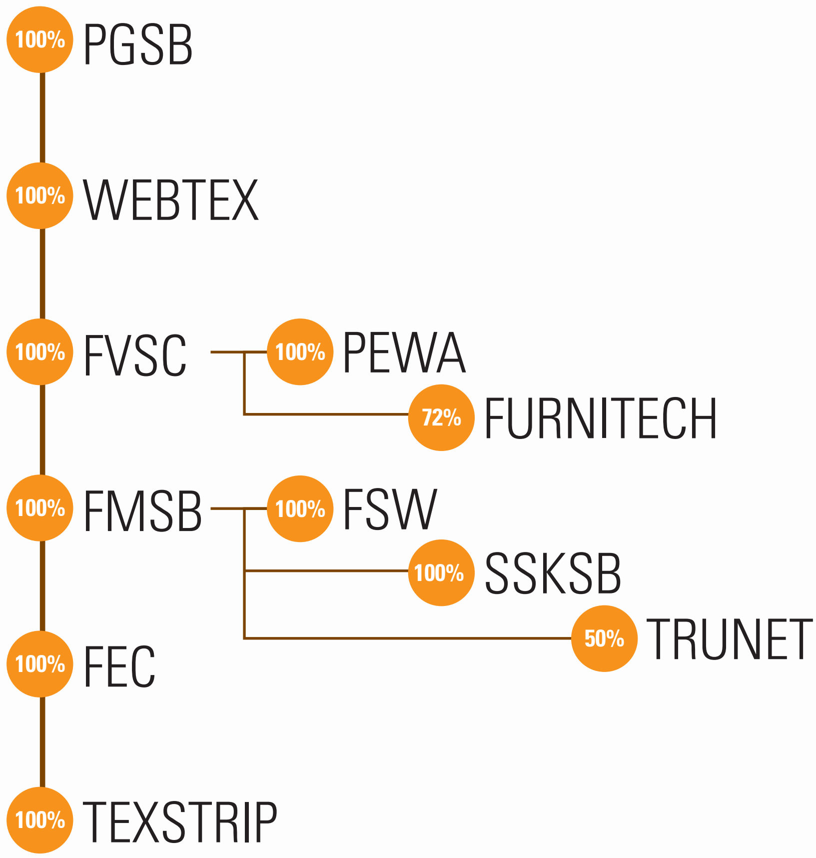
STOCK EXCHANGE LISTING

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

FURNIWEB
INDUSTRIAL PRODUCTS BERHAD
(Company No : 541706-V)



MALAYSIA

FMSB
Furniweb Manufacturing Sdn Bhd (164933-H)

FSW
Furniweb 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

FVSC
Furniweb (Vietnam) Shareholding Company

PEWA
Premier Elastic Webbing & Accessories (Vietnam) Co Ltd

FURNITECH
Furnitech Components (Vietnam) Co Ltd

TRUNET
Trunet (Vietnam) Co Ltd

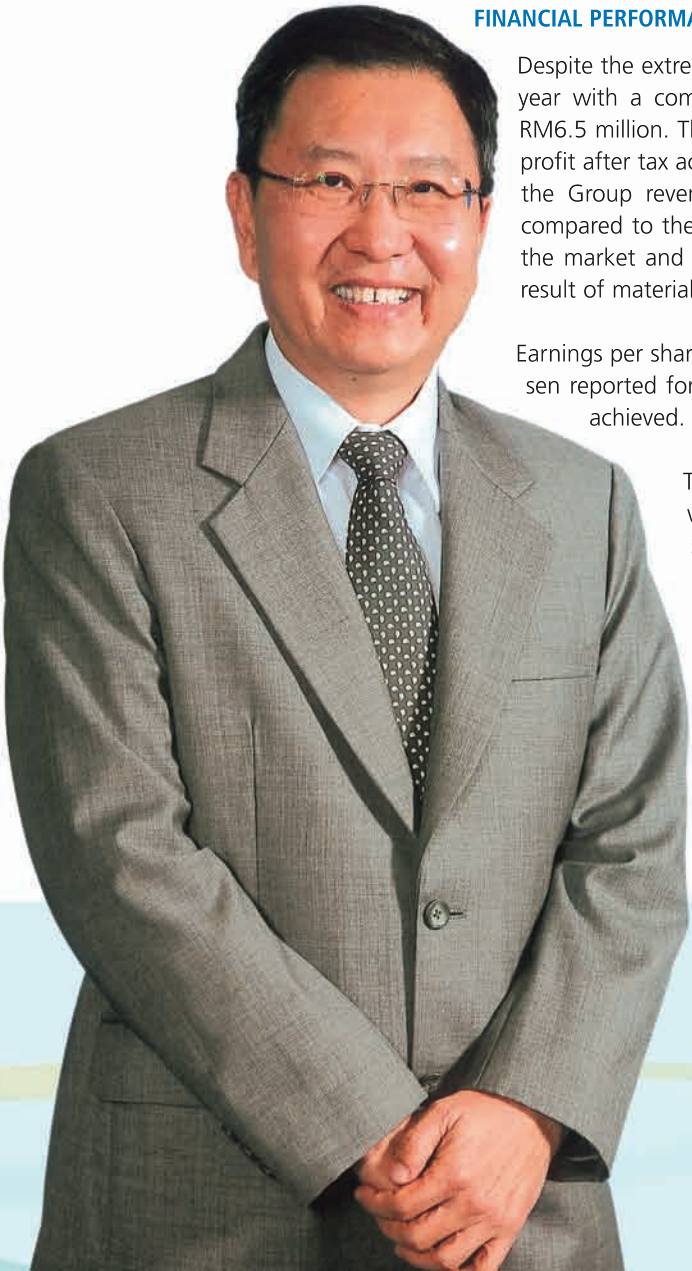
CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Furniweb Industrial Products Berhad, I have great pleasure in presenting to you the Annual Report for the year 2008, incorporating the audited financial statements of the Group and the Company for the same period.

BUSINESS ENVIRONMENT

The year 2008 was a turbulent and volatile one with two very contrasting halves that presented the Group with unprecedented challenges across its spectrum of activities from manufacturing to marketing. The first half of the year saw the escalation of raw materials costs caused by the relentless spiraling of crude oil prices and as a result the squeeze on our margins and subsequent decline in profit. When the year reached its second half, the situation changed dramatically. Although prices of commodities fell from their peaks, the build up and subsequent eruption of the financial crisis saw an immediate plunge in the demand side of the economy as credit dried up and overall consumer confidence evaporated.

In the past, our market risks were mitigated to an extent that when a market in one region declined we could draw on the strength of another area. Needless to say the global scale of the current crisis has been daunting and has stretched the resources of the Group to manage under such difficult conditions to the full.



FINANCIAL PERFORMANCE

Despite the extremely poor market conditions, the Group still ended the financial year with a commendable net profit after tax attributable to shareholders of RM6.5 million. This represents a reduction of 26.5% from the RM8.8 million net profit after tax achieved in the previous financial year. It is significant to note that the Group revenue of RM93.6 million dropped only marginally by 0.3% as compared to the previous year. So the Group managed to maintain its share of the market and the decline in profits was mainly due to reduced margins as a result of materials cost escalation.

Earnings per share for the current financial year was 7.1 sen compared to the 9.7 sen reported for the previous year which is in line with the lower profits being achieved.

Total equity attributable to shareholders as at 31 December 2008 was RM73.1 million, contributing to net assets per share of 80.7 sen, an increase of 4.3% from the 77.4 sen recorded last year.

The balance sheet of the Group remained strong with net current assets of RM39.3 million at the end of the financial year, including a closing cash balance of RM17.9 million.

Gearing ratio of the Group at the end of the financial year was 0.3, consistent with the ratio recorded at the close of the previous financial year.

CHAIRMAN'S STATEMENT (cont'd)

CORPORATE GOVERNANCE

The Group continues to be committed to uphold and practice good corporate governance in all areas of its operations. Our Corporate Governance Statement presented on pages 16 to 19 outlines the manner in which the Group has applied the principles set out in the Malaysian Code on Corporate Governance. As a result of our commitment to adhere to these principles, the Group was ranked very favorably in the Corporate Governance Survey Report 2008 published jointly by the Minority Shareholder Watchdog Group and the Nottingham University Business School, Malaysia Campus. The report, which presents the findings on the compliance with corporate governance principles and best practices by all public listed companies on Bursa Malaysia Securities Berhad, ranked the Group in 63rd position out of 960 companies and in 5th position among companies in the industrial products sector.

The Group over the years has strengthened its internal audit processes and also pays close attention on its external auditors' report. A Statement on Internal Control is also set out on pages 23 to 24 of this Annual Report.

The Group is also working towards being a responsible corporate citizen and has implemented various initiatives with emphasis on safer workplaces, a greener environment and a caring community. The report on Corporate Social Responsibility is presented on pages 20 to 22 of this Annual Report.

DIVIDENDS

The Board is recommending that the Group maintains a dividend payout of 6.0% and hence the payment of a first and final tax exempt dividend of 3.0 sen per share subject to shareholders' approval being obtained at the forthcoming Annual General Meeting.

In arriving at this decision, the Group is aware of the current economic conditions and the need to ensure that adequate funds remain for us to meet our financial obligations and also to finance future growth and expansion.

It is also useful to note that since the listing of the Company on Bursa Malaysia Securities Berhad on 16 October 2003, the Group has consistently paid dividends of not less than 6.0% per annum based on the par value of the Company's shares of RM0.50 per share.

PROSPECTS

The current year is expected to be filled with many hurdles and will be one of the most challenging the Group has ever faced.

The outlook for the next twelve months is gloomy as economies worldwide are anticipated to be sluggish with most regional economies forecasting negative to minimal GDPs. The huge stimulus budgets being poured into the economy, notwithstanding, will take time to remove the clogs in the financial system to allow credit flows and eventually kick start consumption. The general consensus is that this recession will linger well into the early 2010.

Countries in the Group's important and major export markets are deeply affected by the global recession and the speed of recovery will very much depend on the success of the governmental stimulus efforts and their concerted effort to repair and restructure the global financial system.

Against this precarious backdrop, the Group is mindful that it has to manage with prudence and utmost care. The Group's lean organization and operational agility will lead positively to its effort to pursue improvements in productivity, reduce cost, rationalize manpower and streamline operations.

The Board is confident that the Group's strong foundation built over the years, together with the commitment of our people and prudent business management in place, we will most certainly ride through the volatility of the coming year.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I wish to express my sincere appreciation and gratitude to the management and staff for their invaluable contribution and perseverance in fulfilling their responsibilities to the Group in a very difficult year.

The Board would also like to take this opportunity to extend our appreciation to our shareholders, valued customers, suppliers, bankers, business partners and the governmental authorities for the strong support given to the Group.

Last but not least, I also wish to place on record my sincere thanks to my fellow directors for their valuable guidance and support.

Dato' Lim Heen Peok
Chairman

BOARD OF DIRECTORS

From left to right (back)
ONG LOCK HOO
DATO' HAMZAH BIN MOHD SALLEH
LIM CHEE HOONG
LEE SIM HAK
DATO' HAJI JOHAR BIN MURAT @ MURAD

from left (front)
CHEAH ENG CHUAN
DATO' LIM HEEN PEOK
CHUA CARMEY

DIRECTORS' PROFILE

DATO' LIM HEEN PEOK

aged 61, 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 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 five Board meetings held in the financial year ended 31 December 2008 and has had no convictions for any offences within the past 10 years.

CHEAH ENG CHUAN

aged 62, 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 also a member of the Remuneration Committee.

Mr. Cheah served in the Malaysian Army between 1965 and 1974 before joining Oriental Elastic Industries Co., a company that manufactures 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 manufactures 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 31 years of experience in the rubber threads and furniture webbing industries and 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 5% of the equity interest in the Company. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He attended all five Board meetings held in the financial year ended 31 December 2008 and has had no convictions for any offences within the past 10 years.

DIRECTORS' PROFILE (cont'd)

LEE SIM HAK

aged 55, 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 30 years of experience in the textile and furniture webbing industries. He is currently responsible for the overall production function of the Group. Mr. Lee is a substantial shareholder of the Company by virtue of him holding more than 5% of the equity interest in the Company. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He attended all five Board meetings held in the financial year ended 31 December 2008 and has had no convictions for any offences within the past 10 years.

ONG LOCK HOO

aged 57, 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 25 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 is a substantial shareholder of the Company by virtue of him holding more than 5% of the equity interest in the Company. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He attended four of the five Board meetings held in the financial year ended 31 December 2008 and has had no convictions for any offences within the past 10 years.

DATO' HAMZAH BIN MOHD SALLEH

aged 61, a Malaysian, was appointed to the Board on 21 July 2003 as a Non-Executive Director. Dato' Hamzah is also a member of the Audit 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 since 1996 and a director of Bio Osmo Berhad since 2007. Both companies are listed on Bursa Malaysia Securities Berhad. He is also the Chairman of Focus Dynamics Technologies Berhad and director of 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 three of the five Board meetings held in the financial year ended 31 December 2008 and has had no convictions for any offences within the past 10 years.

DATO' HAJI JOHAR BIN MURAT @ MURAD
aged 62, a Malaysian, was appointed to the Board on 21 July 2003 as a Non-Executive Director. Dato' Johar is also the Chairman of both the Nomination Committee and the Remuneration Committee as well as a member of 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 Ministry of Science, Technology and Environment (now known as Ministry of Science, Technology and Innovations), 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 a director in 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 Deputy Secretary General (Operations) of the Ministry of Science, Technology and Environment (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 five Board meetings held in the financial year ended 31 December 2008 and has had no convictions for any offences within the past 10 years.

LIM CHEE HOONG
aged 48, a Malaysian, was appointed to the Board on 21 July 2003 as a Non-Executive Director. Mr. Lim is also the Chairman of the Audit Committee and a member of both 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 Messrs LLTC. He is also a partner in LLT & Partners. Prior to that, Mr. Lim was attached to various firms and has more than 20 years of experience in the field of accounting. He is currently a director of AHB Holdings Berhad, a company listed on Bursa Malaysia Securities Berhad. 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 five Board meetings held in the financial year ended 31 December 2008 and has had no convictions for any offences within the past 10 years.

CHUA CARMEY
aged 23, a Malaysian, was appointed to the Board on 13 November 2008 as a Non-Executive Director. Ms. Chua is also a member of both the Remuneration Committee and the Nomination Committee. She graduated with a Master of Science Degree in Applied Mathematics from the London School of Economics and Political Science, United Kingdom, in 2008 and is currently sitting on the board of various companies within the CMY Capital Group. Ms. Chua is a family member of a major shareholder of the Company. However, she does not have any family relationship with any director of the Company, nor any personal interest in any business arrangement involving the Company. She has had no convictions for any offences within the past 10 years.

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 2008, five (5) meetings of the Board were held. Details of each director's meeting attendance during the financial year are as follows:

Directors/Secretary	Attendance
Dato' Lim Heen Peok	5 out of 5
Cheah Eng Chuan	5 out of 5
Lee Sim Hak	5 out of 5
Ong Lock Hoo	4 out of 5
Dato' Hamzah bin Mohd Salleh	3 out of 5
Dato' Haji Johar bin Murat @ Murad	5 out of 5
Lim Chee Hoong	5 out of 5
Chua Carmey (appointed on 13 November 2008)	Not applicable
Chua Carmen (resigned on 13 November 2008)	4 out of 5
Company Secretary	5 out of 5

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.

Committees	Key Functions
Audit Committee	Explained on pages 25 to 28 of this Annual Report
Remuneration Committee	Explained on pages 29 to 30 of this Annual Report
Nomination Committee	Explained on pages 31 to 32 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.

BOARD OF DIRECTORS (cont'd)

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 ("Bursa Securities"). 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 on 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 Bursa Securities.

In compliance with the Continuing Education Programme implemented by Bursa Securities, 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.

On 13 November 2008, all directors attended an in-house training session conducted by Archer Consulting Group Sdn Bhd on "Share Buy-Back & Securities Commission". Hence, all directors are in compliance with paragraph 15.09 of the Listing Requirements.

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 Bursa Securities, including the quarterly financial results, annual reports and where appropriate, circulars and press releases. The Company is also a member of the Malaysian Industrial Relations Association.

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 the meeting to respond to questions raised by shareholders.

Apart from the mandatory announcements through Bursa Securities, 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 Bursa Securities.

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 Financial Reporting Standards in Malaysia.

2. Internal Control

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

ADDITIONAL COMPLIANCE INFORMATION

1. Share Buy-back

The Company did not repurchase any of its issued ordinary shares from the open market during the financial year.

As at 31 December 2008, 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 distributions.

ADDITIONAL COMPLIANCE INFORMATION (cont'd)

2. Options, Warrants or Convertible Securities

Other than the Employees' Share Option Scheme disclosed on page 35 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 2008 was RM16,300.

5. Variation in Results

There was no material variation between the audited results for the financial year ended 31 December 2008 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 32 of the financial statements.

7 Recurrent Related Party Transactions

The recurrent related party transactions for the financial year ended 31 December 2008 are set out in Note 32 of the financial statements.

CORPORATE SOCIAL RESPONSIBILITY

At Furniweb Industrial Products Berhad ("FIPB"), we place a strong emphasis on corporate social responsibility ("CSR"). In additional to maximizing returns to shareholders, the Group carries out initiatives which positively impact our employees, customers, suppliers, the environment, as well as the community in which we operate.

The Group places great importance on being a responsible corporate citizen and on the continuous demonstration of responsible corporate conduct across all aspects of our operations. We are mindful that CSR includes continuous communication and reporting of the non-financial impacts and achievements of the Group to its various stakeholders without ambiguity.

The CSR programs undertaken by the Group within the framework pillars of workplace, environment and community are further described below:

WORKPLACE

Human Resource

Every successful organization understands that its people are its most valuable assets. Ensuring our people feel appreciated is the most useful way of making certain they contribute effectively to our Group's operations.

In FIPB, regular meetings are held to discuss human resource issues and policies. The management strives to ensure every detail is catered for when it comes to means and measures that can assist in improving the competency and effectiveness of the Group's human resource.

1. Human Capital Development

Employing and retaining the right people has become increasingly challenging. In order for the Group to compete for the best people, we have initiated several training and development programs with the intention of cultivating leadership and charting career paths.

FIPB believes in providing employee training that enhances performance. We are dedicated to equipping our people with the knowledge and proficiency that is necessary for them to perform at their level best.

New members to the Group are provided with an orientation briefing that covers the Group's background, organization structure, culture and code of conduct. Subsequent to this, specially tailored training programs and on the job training are given by the respective departments, supplemented by other internally conducted programs as well as external professional courses over time.

The Group practices a merit based reward system in which employees who consistently perform at a high standard are rewarded accordingly. Regular formal performance evaluations are conducted to identify the strengths and weaknesses of each employee, upon which improvements and training plans are recommended.

WORKPLACE (cont'd)

2. Employee Quality of Life

FIPB organizes social and sports activities for its people in order to promote staff interaction. The Group's annual dinner is attended by employees together with their family members to allow the family members to better understand the Group's working culture. In order to foster unity among the workforce and to promote healthy living among our people, weekly sports activities are organized and participation among employees have been keen.

3. Acknowledging Our People

The Group recognizes that the experience of our long serving employees is a precious asset that should not be overlooked. To acknowledge their contribution and faithfulness to the Group, long service awards are given annually to employees who attain their career milestones of every five years of service.

In order to establish a platform for employees to provide feedback to the management, suggestion boxes are made available at strategic locations and an employee satisfaction survey is conducted annually.

As part of the Group's commitment to our employees and to develop a sense of belonging, FIPB offers an Employees' Share Option Scheme to all confirmed employees. The response to the scheme has thus far been extremely heartening.

Safety and Health

The Occupational Safety & Health policy in FIPB pledges a strong commitment for the provision of a safe and healthy working environment for employees in the Group. The Group will never compromise on the safety and health of our workforce and all those who come into contact with us.

1. Occupational Safety & Health Committee

The Occupational Safety & Health Committee was set up as part of the Group's plan to ensure the health and safety of our employees. The committee is chaired by an Executive Director and its members include employees from various sections of the organization, with the management, staff and workers all being represented.

The committee ensures that all initiatives on safety and health implemented by the Group are appropriately adhere to. Fire drills, gas leakage control and spillage control are conducted on a regular basis and briefings in relation to evacuation procedures are given to employees.

2. Emergency Response Team

The team was set up under the purview of the Occupational Safety & Health Committee to ensure that a quick response will be available to our people in the event of an emergency. Members of the team are given training on the use of fire fighting equipment, first aid, CPR and other measures to be taken during an emergency.

CORPORATE SOCIAL RESPONSIBILITY (cont'd)

ENVIRONMENT

The Group takes measures to protect the environment in which we operate through the implementation of an environmental management system at our factories. The environmental management system uses the international environmental standard ISO 14001 as a benchmark in assessing, improving and maintaining the environmental integrity of its systems and is set up to ensure we adhere strictly to environmental laws and regulations governing plant operations and areas relating to environmental standards, noise level management, emission standards and treatment of plant effluents and waste water.

As part of our CSR agenda, we strive to minimize any adverse impact our operations may have on the environment and to achieve continuous improvement with regards to our factories' environmental performance. We are pleased to report that certain of our factories fully comply and have been certified with the ISO 14001 Certification for Environmental Management Systems.

COMMITMENT TO COMMUNITY

FIPB is involved in the communities in which it operates and we feel it is essential that we meet our social responsibilities in a positive manner.

The Group has certain donation programmes devised to provide support for organizations and institutions that are involved in welfare, health and educational activities aimed at improving quality of life.

In the past year, donations were made to the following organizations:

1. **Pusat Perlindungan Pernim**

   The Pernim home is situated in Kampung Cheras Baru, Kuala Lumpur and provides children infected with HIV/AIDS a place where they are safe and are accepted unconditionally. It also provides the children with education and everyday amenities in order for them to live normal lives.

2. **Center for Raising Orphans and Disabled Children**

   Located in Bien Hoa City, Dong Nai Province, Vietnam, the center provides shelter for orphans and disabled children. At the center, the children are given education and have their everyday needs taken care of.

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 are 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.

STATEMENT ON INTERNAL CONTROL (cont'd)

INTERNAL AUDIT FUNCTION

The Group has an in-house 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.

The costs incurred for the internal audit function in respect of the financial year ended 31 December 2008 amounted to RM129,391.

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 25 to 28 of this Annual Report.

CONCLUSION

For the financial year ended 31 December 2008, 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 2008.

COMPOSITION OF AUDIT COMMITTEE

The Audit Committee consists of three (3) members, all of whom are Independent Non-Executive Directors. The Chairman of the Audit Committee is also a member of the Malaysian Institute of Accountants.

The committee members are as follows:

Directors	Position
Lim Chee Hoong	Chairman of Audit Committee & Independent Non-Executive Director
Dato' Haji Johar bin Murat @ Murad	Independent Non-Executive Director
Dato' Hamzah bin Mohd Salleh	Independent Non-Executive Director

MEETINGS AND ATTENDANCE

The Audit Committee held a total of five (5) meetings during the financial year ended 31 December 2008. Details of attendance are as follows:

Directors/Secretary	Attendance
Lim Chee Hoong	5 out of 5
Dato' Haji Johar bin Murat @ Murad	5 out of 5
Dato' Hamzah bin Mohd Salleh (appointed on 22 February 2008)	3 out of 4
Cheah Eng Chuan (resigned on 22 February 2008)	1 out of 1
Company Secretary	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, all of whom must be Non-Executive Directors and a majority of whom must be independent.
- At least one member of the Committee must be qualified under paragraph 15.10 (1)(c) of Bursa Securities' Listing Requirements.
- No alternate director shall be appointed as a member of the Committee.
- The members of the Committee shall elect a Chairman from among their number who shall be an Independent Non-Executive Director.
- The Company Secretary or such other persons authorised by the Board shall act as the Secretary to the Committee.

REPORT OF THE AUDIT COMMITTEE (cont'd)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (cont'd)

2. Membership (cont'd)

- 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.

- 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, the internal auditors or both, without the presence of other directors and employees of the Company, whenever deemed necessary.

- The Head of Internal Audit reports directly to the Committee and shall have direct access to the Chairman of the Committee on all matters of control and audit. All proposals by management regarding the appointment, transfer and removal of senior staff members of the Internal Audit Department shall require prior approval of the Committee. The Committee is also authorised by the Board to obtain information on any resignation of internal audit staff members and provide the staff member an opportunity to submit his reasons for resigning.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (cont'd)

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, competency 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.

  (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 Securities on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of Bursa Securities' 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.

REPORT OF THE
AUDIT COMMITTEE
(cont'd)

ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2008, the activities carried out by the Audit Committee in the discharge of its duties included, among others, the following:

- Review staffing requirement of the 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 Securities.

- 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.

INTERNAL AUDIT FUNCTION

The in-house 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 2008.

COMPOSITION OF REMUNERATION COMMITTEE

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

Directors	Position
Dato' Haji Johar bin Murat @ Murad	Chairman of Remuneration Committee & Independent Non-Executive Director
Cheah Eng Chuan	Managing Director
Lim Chee Hoong	Independent Non-Executive Director
Chua Carmey (appointed on 13 November 2008)	Non-Independent Non-Executive Director
Chua Carmen (resigned on 13 November 2008)	Non-Independent Non-Executive Director

Ms Chua Carmen resigned as a member of the Remuneration Committee on 13 November 2008 and was replaced by Ms Chua Carmey who was appointed as a member of the Committee on the same date.

TERMS OF REFERENCE OF THE 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 comprise of at least three (3) members, a majority of whom must be Non-Executive Directors. A quorum shall be two (2) members.
- The members of the Committee shall elect a Chairman from among their number.
- 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.

4. Functions

The functions of the Committee shall be:

- To 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.

REPORT OF THE REMUNERATION COMMITTEE (cont'd)

TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE (cont'd)

4. Functions (cont'd)

- 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 Remuneration Committee met on 24 February 2009 after the close of the financial year ended 31 December 2008 to review the remuneration packages of Executive Directors of the Company as well as directors' fees for financial year 2008.

DIRECTORS' REMUNERATION

Details of directors' remuneration for the financial year ended 31 December 2008 are set out below:

Remuneration	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Directors' fees*	105,000	185,000	290,000
Salaries and other emoluments	1,487,586	-	1,487,586
Bonus	280,200	-	280,200
Benefits-in-kind	83,100	-	83,100
Total	1,955,886	185,000	2,140,886

* *To be approved at the forthcoming Annual General Meeting (the directors' fees are for the period from January 2008 to December 2008).*

The number of directors whose total remuneration during the financial year ended 31 December 2008 falls within the following bands is as follows:

Range of remuneration (RM)	Executive Director	Non-Executive Director
Below 50,000	-	5
350,001 - 400,000	1	-
550,001 - 600,000	1	-
950,001 - 1,000,000	1	-
Total	3	5

There are no directors whose total remuneration during the financial year ended 31 December 2008 falls within the bands of RM50,001 to RM350,000, RM400,001 to RM550,000 and RM600,001 to RM950,000.

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 2008.

COMPOSITION OF NOMINATION COMMITTEE

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

Directors	Position
Dato' Haji Johar bin Murat @ Murad	Chairman of Nomination Committee & Independent Non-Executive Director
Lim Chee Hoong	Independent Non-Executive Director
Chua Carmey (appointed on 13 November 2008)	Non-Independent Non-Executive Director
Chua Carmen (resigned on 13 November 2008)	Non-Independent Non-Executive Director

Ms Chua Carmen resigned as a member of the Nomination Committee on 13 November 2008 and was replaced by Ms Chua Carmey who was appointed as a member of the Committee on the same date.

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 of at least three (3) members, all of whom must be Non-Executive Directors and a majority of whom must be independent. A quorum shall be two (2) members.
- The members of the Committee shall elect a Chairman from among their number.
- 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:

- To propose new nominees for appointment to the Board of Directors.
- To assess on an on-going basis, the effectiveness of the Board and the contribution of each individual director.
- To recommend to the Board, directors to fill the seats on other Board sub-committees.
- To review annually the mix of skills and experience and other qualities of the Board members.
- To orientate and educate 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 Committee reports to the full Board from time to time its recommendations for the Board's consideration and implementation.
- 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.

ACTIVITIES OF THE NOMINATION COMMITTEE

The Nomination Committee met on 13 November 2008 to discuss the appointment of Ms Chua Carmey as a Non-Independent Non-Executive Director of the Company in place of Ms Chua Carmen who was resigning from the Board. The appointment and resignation were recommended to the Board and were affected on the same date.

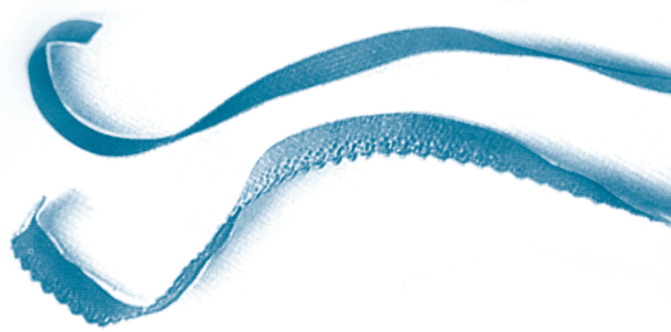
In view of the above, Ms Chua Carmen resigned as a member of both the Remuneration Committee and the Nomination Committee effective 13 November 2008.

The Committee then recommended to the Board that Ms Chua Carmey be appointed as a member of both the Remuneration Committee and the Nomination Committee in place of Ms Chua Carmen with immediate effect.

The Nomination Committee also met on 24 February 2009 after the close of the financial year ended 31 December 2008 to assess the effectiveness and performance of the Board, the directors and the Board sub-committees.

The Committee further determined which directors would stand for re-election at the Company's forthcoming Annual General Meeting.

FINANCIAL STATEMENTS



DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 10 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 financial year	6,009	1,358
Attributable to:		
Equity holders of the Company	6,460	1,358
Minority interest	(451)	-
	6,009	1,358

DIVIDENDS

Since the end of the previous financial year, the Directors paid final tax exempt dividend of 6.0% (3.0 sen per share) totalling RM2,716,005 in respect of the financial year ended 31 December 2007 on 25 July 2008.

The Directors recommended final tax exempt dividend of 6.0% (3.0 sen per share) approximately RM2,716,000 in respect of the year ended 31 December 2008, subject to the approval of members at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from RM45,354,700 to RM45,371,200 by way of issuance of 33,000 new ordinary shares of RM0.50 each for cash pursuant to the exercise of Employee Share Options.

The newly issued shares rank pari passu in all respects with the existing shares of the Company. There were no other issues of shares during the financial year.

There were no issues of debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial 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 main features of the ESOS are as follows:

(a) 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.

(b) The option is personal to the grantee and is non-assignable.

(c) 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:

 (i) 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

 (ii) 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.

(d) 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.

(e) 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.

(f) 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.

The details of the options over the ordinary shares of the Company are as follows:

		Number of options over ordinary shares of RM0.50 each					
	Option	Outstanding	Movement during the financial year			Outstanding	Exercisable
Date of	price	as at				as at	at
offer	RM	1.1.2008	Granted	Exercised	Lapsed	31.12.2008	31.12.2008
7.9.2004	1.21	4,043,150	-	-	(160,950)	3,882,200	3,882,200
1.12.2005	0.50	1,219,300	-	-	(75,600)	1,143,700	1,143,700
10.1.2007	0.50	875,050	-	(33,000)	(114,850)	727,200	318,800
		6,137,500	-	(33,000)	(351,400)	5,753,100	5,344,700

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

OPTIONS GRANTED OVER UNISSUED SHARES (cont'd)

The names of options holders and their respective number of options granted since 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	725,000
Lee Sim Hak	435,000
Ong Lock Hoo	435,000
Chan Kwong Pooi	200,000
Lai Kong Meng	200,000
Tan Wah Ching	200,000

Other than the Directors' options as disclosed above, there were no employees of the Company and its subsidiaries who were granted 200,000 options and above under the ESOS during the financial year.

DIRECTORS

The Directors who have held office 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 Carmey (appointed on 13 November 2008)
Chua Carmen (resigned on 13 November 2008)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and options over ordinary shares in the Company and of its related corporations during the financial year ended 31 December 2008 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 were as follows:

	Number of ordinary shares of RM0.50 each			
	Balance as at 1.1.2008	Bought	Sold	Balance as at 31.12.2008
Shares in the Company				
Direct interests:				
Dato' Lim Heen Peok	34,000	-	-	34,000
Cheah Eng Chuan	25,669,599	-	-	25,669,599
Lee Sim Hak	5,422,051	-	-	5,422,051
Ong Lock Hoo	7,478,913	-	-	7,478,913
Dato' Hamzah Bin Mohd Salleh	200,000	-	-	200,000
Lim Chee Hoong	40,000	-	-	40,000

DIRECTORS' INTERESTS (cont'd)

Share options in the Company	Number of options over ordinary shares of RM0.50 each Balance as at 1.1.2008	Granted	Exercised	Lapsed	Balance as at 31.12.2008
Dato' Lim Heen Peok	116,000	-	-	-	116,000
Cheah Eng Chuan	675,000	-	-	-	675,000
Lee Sim Hak	405,000	-	-	-	405,000
Ong Lock Hoo	405,000	-	-	-	405,000
Dato' Hamzah Bin Mohd Salleh	100,000	-	-	-	100,000
Dato' Johar Bin Murat @ Murad	100,000	-	-	-	100,000
Lim Chee Hoong	60,000	-	-	-	60,000

By virtue of their interests in the ordinary shares of the Company, Dato' Lim Heen Peok, Cheah Eng Chuan, Lee Sim Hak, Ong Lock Hoo, Dato' Hamzah Bin Mohd Salleh and Lim Chee Hoong are also deemed to be interested in the ordinary shares of all the subsidiaries to the extent the Company has an interest.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company have received or 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, to which the Company is a party, 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 except for the share options granted pursuant to the ESOS mentioned in Note 31 to the financial statements.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for loss on disposal of investment in a subsidiary by the Company to another subsidiary of RM921,000 as disclosed in Note 26 to the financial statements.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (cont'd)

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in financial statements of the Group and of the Company inadequate to any material extent; and

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 28 January 2008, the Company announced that Furniweb Manufacturing (Vietnam) Co. Ltd. ("FMV") has been converted into a joint stock company and is now known as Furniweb (Vietnam) Shareholding Company ("FVSC"). The authorised and contributed legal capital of FVSC had also been increased from the existing USD1,300,000 to USD1,500,000.

Furthermore, the Company informed that the proposed Initial Public Offering and the Listing of FVSC on Ho Chi Minh City Securities Trading Centre ("Flotation Scheme") was expected to be completed by the second quarter of 2008 instead of the forth quarter of 2007 as disclosed in the Circular to Shareholders due to the delay in the issuance of the investment certificate by the relevant authority in Vietnam in relation to the conversion of FVSC into a joint stock company.

However, on 19 June 2008, the Board anticipated that FVSC will not be able to complete the Flotation Scheme by the second quarter of 2008 as stated in the announcement dated 28 January 2008 due to bearish equity market condition in Vietnam.

In view of the above, the Board wishes to defer the Flotation Scheme until such time when the economic and equity market conditions in Vietnam have stabilised or improved.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (cont'd)

(b) On 18 February 2008, the Company entered into a Capital Assignment Agreement with FVSC for the Company to assign to FVSC its 100% invested capital in Premier Elastic Webbing & Accessories (Vietnam) Co. Ltd. ("PEWA"), together with all accrued rights. Subsequently, the Company used the sale proceeds arising from the disposal of PEWA to increase its investment in FVSC by RM3,160,000.

(c) On 7 August 2008, the Company, via its wholly-owned subsidiary, FVSC, increased its investment in Furnitech Components (Vietnam) Co. Ltd. ("FCV") from USD1,140,000 to USD1,440,000 through an additional capital contribution of USD300,000. FVSC's ownership in FCV has increased from 60% to 71.56% pursuant to the additional contribution.

AUDITORS

The auditors, BDO Binder, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Cheah Eng Chuan
Director

Lee Sim Hak
Director

Kuala Lumpur
23 April 2009

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 43 to 99 have been drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and of the results of the operations of the Group and of the Company and of the cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Cheah Eng Chuan
Director

Lee Sim Hak
Director

Kuala Lumpur
23 April 2009

STATUTORY DECLARATION

I, Cheah Eng Chuan, being 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 43 to 99 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 abovenamed at)
Kuala Lumpur, this)
23 April 2009)

Before me:

S. Ideraju
Commissioner of Oaths (No. W-451)
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FURNIWEB INDUSTRIAL PRODUCTS BERHAD

Report on the Financial Statements

We have audited the financial statements of Furniweb Industrial Products Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 43 to 99.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and of the results of the operations of the Group and of the Company and of the cash flows of the Group and of the Company for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 10 to the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FURNIWEB INDUSTRIAL PRODUCTS BERHAD (cont'd)

Report on Other Legal and Regulatory Requirements (cont'd)

(c) 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 purpose of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, 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.

BDO Binder
AF : 0206
Chartered Accountants

Law Kian Huat
2855/07/10
Partner

Kuala Lumpur
23 April 2009

BALANCE SHEETS
as at 31 December 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	7	39,959	33,828	-	-
Prepaid lease payments for land	8	4,049	4,130	-	-
Intangible assets	9	1,924	1,924	-	-
Investments in subsidiaries	10	-	-	41,197	40,519
Investment in a jointly controlled entity	11	746	1,035	-	-
Other investments	12	-	-	-	-
		46,678	40,917	41,197	40,519
Current assets					
Inventories	13	23,499	22,289	-	-
Trade and other receivables	14	17,734	21,613	2,782	2,665
Dividend receivable		202	104	11,264	13,562
Current tax assets		308	659	-	-
Short term investment	15	102	-	-	-
Cash and cash equivalents	16	17,853	16,351	4,991	4,763
		59,698	61,016	19,037	20,990
TOTAL ASSETS		106,376	101,933	60,234	61,509
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	17	45,371	45,355	45,371	45,355
Treasury shares	17	(87)	(87)	(87)	(87)
Reserves	18	27,812	24,796	12,847	14,148
		73,096	70,064	58,131	59,416
Minority interest		561	798	-	-
TOTAL EQUITY		73,657	70,862	58,131	59,416

BALANCE SHEETS
as at 31 December 2008
(cont'd)

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
LIABILITIES					
Non-current liabilities					
Borrowings	19	10,400	8,314	-	-
Deferred tax liabilities	21	1,907	1,724	-	-
		12,307	10,038	-	-
Current liabilities					
Trade and other payables	22	9,354	10,660	2,039	2,037
Borrowings	19	10,887	10,174	-	-
Current tax payable		171	199	64	56
		20,412	21,033	2,103	2,093
TOTAL LIABILITIES		32,719	31,071	2,103	2,093
TOTAL EQUITY AND LIABILITIES		106,376	101,933	60,234	61,509

The accompanying notes form an integral part of the financial statements.

INCOME STATEMENTS

for the financial year ended 31 December 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Revenue	25	93,562	93,816	3,354	13,653
Cost of sales		(72,309)	(70,957)	-	-
Gross profit		21,253	22,859	3,354	13,653
Other income		2,929	1,083	-	22
Distribution costs		(2,745)	(3,068)	-	-
Administrative expenses		(10,933)	(10,802)	(452)	(728)
Other expenses		(1,643)	(941)	(1,585)	(55)
Results from operating activities		8,861	9,131	1,317	12,892
Interest income		352	284	104	121
Finance costs		(1,698)	(1,617)	-	-
Operating profit	26	7,515	7,798	1,421	13,013
Share of profit of a jointly controlled entity		272	451	-	-
Profit before tax		7,787	8,249	1,421	13,013
Tax expense	27	(1,778)	(249)	(63)	(87)
Profit for the financial year		6,009	8,000	1,358	12,926
Attributable to:					
Equity holders of the Company		6,460	8,793	1,358	12,926
Minority interest		(451)	(793)	-	-
Profit for the financial year		6,009	8,000	1,358	12,926
Basic earnings per ordinary share (sen)	28	7.14	9.73		
Diluted earnings per ordinary share (sen)	28	7.13	9.66		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2008

Group	Note	Share capital RM'000	Share premium RM'000	Exchange translation reserve RM'000	Share options reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
		Attributable to equity holders of the Company								
		Non-distributable					Distributable			
Balance at 31 December 2006		45,000	278	(1,190)	92	(87)	20,395	64,488	1,695	66,183
Foreign currency translations		-	-	(1,096)	-	-	-	(1,096)	(104)	(1,200)
Loss recognised directly in equity		-	-	(1,096)	-	-	-	(1,096)	(104)	(1,200)
Profit for the financial year		-	-	-	-	-	8,793	8,793	(793)	8,000
Total recognised income and expense for the financial year		-	-	(1,096)	-	-	8,793	7,697	(897)	6,800
Dividends paid	29	-	-	-	-	-	(2,654)	(2,654)	-	(2,654)
Ordinary shares issued pursuant to ESOS	17	355	85	-	(85)	-	-	355	-	355
Share options granted under ESOS	31	-	-	-	178	-	-	178	-	178
Balance at 31 December 2007		45,355	363	(2,286)	185	(87)	26,534	70,064	798	70,862
Balance at 31 December 2007		45,355	363	(2,286)	185	(87)	26,534	70,064	798	70,862
Foreign currency translations		-	-	(785)	-	-	-	(785)	50	(735)
Loss recognised directly in equity		-	-	(785)	-	-	-	(785)	50	(735)
Profit for the financial year		-	-	-	-	-	6,460	6,460	(451)	6,009
Total recognised income and expense for the financial year		-	-	(785)	-	-	6,460	5,675	(401)	5,274
Dividends paid	29	-	-	-	-	-	(2,716)	(2,716)	-	(2,716)
Ordinary shares contributed by minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	164	164
Ordinary shares issued pursuant to ESOS	17	16	5	-	(5)	-	-	16	-	16
Share options granted under ESOS	31	-	-	-	57	-	-	57	-	57
Balance at 31 December 2008		45,371	368	(3,071)	237	(87)	30,278	73,096	561	73,657

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2008
(cont'd)

Company	Note	Share capital RM'000	Share premium RM'000	Share options reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
		Non-distributable				Distributable	
Balance at 31 December 2006		45,000	278	92	(87)	3,328	48,611
Profit for the financial year, representing total recognised income and expense for the financial year		-	-	-	-	12,926	12,926
Dividends paid	29	-	-	-	-	(2,654)	(2,654)
Ordinary shares issued pursuant to ESOS	17	355	85	(85)	-	-	355
Share options granted under ESOS	31	-	-	178	-	-	178
Balance at 31 December 2007		45,355	363	185	(87)	13,600	59,416
Balance at 31 December 2007		45,355	363	185	(87)	13,600	59,416
Profit for the financial year, representing total recognised income and expense for the financial year		-	-	-	-	1,358	1,358
Dividends paid	29	-	-	-	-	(2,716)	(2,716)
Ordinary shares issued pursuant to ESOS	17	16	5	(5)	-	-	16
Share options granted under ESOS	31	-	-	57	-	-	57
Balance at 31 December 2008		45,371	368	237	(87)	12,242	58,131

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENTS
for the financial year ended 31 December 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		7,787	8,249	1,421	13,013
Adjustments for:					
Allowance for doubtful debts	26	46	45	-	-
Depreciation of property, plant and equipment	7	3,922	4,464	-	-
Amortisation of prepaid lease payments for land	8	81	82	-	-
Inventories written down	13	455	335	-	-
Finance costs		1,698	1,617	-	-
(Gain)/Loss on disposal of property, plant and equipment		(152)	23	-	-
Gain on disposal of other investments		-	(111)	-	(22)
Interest income		(352)	(284)	(104)	(121)
Property, plant and equipment written off	7	2	-	-	-
Reversal of inventories written down		(113)	-	-	-
Share options granted under ESOS	31	57	178	57	178
Share of profit in a jointly controlled entity		(272)	(451)	-	-
Dividend income		-	-	(3,261)	(13,562)
Unrealised foreign exchange (gain)/loss		(117)	155	664	55
Loss on disposal of investment in a subsidiary		-	-	921	-
Operating profit/(loss) before changes in working capital		13,042	14,302	(302)	(459)
Increase in inventories		(1,809)	(1,567)	-	-
(Decrease)/Increase in trade and other payables		(1,183)	648	2	-
Decrease/(Increase) in trade and other receivables		3,722	(1,341)	14	(23)
Cash generated from/(used in) operations		13,772	12,042	(286)	(482)
Tax paid		(1,271)	(693)	(3)	(15)
Net cash from/(used in) operating activities		12,501	11,349	(289)	(497)

CASH FLOW STATEMENTS
for the financial year ended 31 December 2008
(cont'd)

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	7	(9,632)	(1,872)	-	-
Dividends received		453	-	3,203	2,744
Interest received		352	284	104	121
Proceeds from disposal of property, plant and equipment		680	134	-	-
Proceeds from disposal of other investments		-	177	-	22
Placements of pledged deposits		(5)	(4)	-	-
Purchase of short term investment	15	(102)	-	-	-
Net cash (used in)/from investing activities		(8,254)	(1,281)	3,307	2,887
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances to subsidiaries (net)		-	-	(90)	(21)
Dividends paid to shareholders of the Company	29	(2,716)	(2,654)	(2,716)	(2,654)
Interest paid		(1,698)	(1,617)	-	-
Ordinary shares contributed by minority shareholders of a subsidiary		164	-	-	-
Proceeds from borrowings		22,684	9,202	-	-
Repayments of borrowings		(20,608)	(11,326)	-	-
Repayments of hire purchase creditors		(589)	(308)	-	-
Repayments to Directors		-	(418)	-	-
Proceeds from issuance of shares pursuant to ESOS		16	355	16	355
Net cash used in financing activities		(2,747)	(6,766)	(2,790)	(2,320)
Effects of exchange rate changes		(3)	723	-	-
Net increase in cash and cash equivalents		1,497	4,025	228	70
Cash and cash equivalents as at beginning of financial year		16,230	12,205	4,763	4,693
Cash and cash equivalents as at end of financial year	16	17,727	16,230	4,991	4,763

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2008

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Second Board of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal place of business of the Company is located at Lot 208, Jalan Sungai Besi, Batu 12, Kg. Baru Balakong, 43300 Cheras, Selangor Darul Ehsan.

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

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 23 April 2009.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 10 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards ('FRSs') in Malaysia and the provisions of the Companies Act, 1965.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of the financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgement, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to the end of the financial year using the purchase method of accounting.

Under the purchase method of accounting, the cost of business combination is measured at the aggregate of fair value at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.2 Basis of consolidation (cont'd)

At the acquisition date, the cost of business combination is allocated to identifiable assets, liabilities and contingent liabilities in the business combination which are measured initially at their fair values at the acquisition date. The excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the cost of business combination is less than the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the Group will:

(a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and

(b) recognise immediately in income statement any excess remaining after that reassessment.

When a business combination includes more than one exchange transaction, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

Subsidiaries are consolidated from the acquisition date, which is the date on which the Group effectively obtains control, until the date on which the Group ceases to control the subsidiaries. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the existence and effect of potential voting rights that are currently or convertible exercisable are taken into consideration.

Intragroup balances, transactions and unrealised gains and losses on intragroup transactions are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

The gain or loss on disposal of a subsidiary, which is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the carrying amount of goodwill and the cumulative amount of any exchange differences that relate to the subsidiary, is recognised in the consolidated income statement.

Minority interest is that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Group. It is measured at the minority's share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minority's share of changes in the subsidiaries' equity since that date.

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

Minority interest is presented in the consolidated balance sheet within equity and is presented in the consolidated statement of changes in equity separately from equity attributable to equity holders of the Company.

Minority interest in the results of the Group is presented in the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and equity holders of the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2008
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.3 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of 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. Cost also comprises the initial estimate of dismantling and removing the item and restoring the site on which it is located for which the Group is obligated to incur when the item is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which have different useful lives, are depreciated separately.

After initial recognition, property, plant and equipment except for freehold land is stated at cost less any accumulated depreciation and any accumulated impairment losses.

The freehold land is stated at cost less any subsequent accumulated impairment losses, if any.

Depreciation is calculated to write off the cost of the assets to its residual values on a straight line basis over their estimated useful lives. The principal depreciation rates are as follows:

Buildings	2% -12.5%
Plant and machinery	8% - 20%
Furniture, fittings and office equipment	10% - 40%
Motor vehicles	10% -20%

Freehold land is not depreciated. Capital work-in-progress represents machinery under installation and renovation-in-progress and is stated at cost. Capital work-in-progress is not depreciated until such time when the asset is available for use.

At each balance sheet date, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with the previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. The difference between the net disposal proceed, if any, and the carrying amount is included in income statement and the revaluation reserve related to those assets, if any, is transferred directly to retained earnings.

4.4 Leases and hire purchase

(a) Finance leases and hire purchase

Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the Group's incremental borrowing rate is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.4 Leases and hire purchase (cont'd)

(a) Finance leases and hire purchase (cont'd)

The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit and loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

(b) Operating leases

A lease is classified as an operating lease if its does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

(c) Leases of land and buildings

For leases of land and building, the land and buildings elements are considered separately for the purpose of lease classification and these leases are classified as operating or finance leases in the same way as leases of other assets.

The minimum lease payments including any lump-sum upfront payments made to acquire the interest in the land and building are allocated between the land and the building elements of the lease in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease.

Leasehold land that normally has an indefinite economic life and where the lease does not transfer substantially all the risk and rewards incidental to ownership is treated as an operating lease. The lump-sum upfront lease payment made on entering into or acquiring leasehold land is accounted as prepaid lease payments and is amortised over the lease term on a straight line basis.

The buildings element is classified as a finance or operating lease in accordance with Note 4.4(a) or Note 4.4(b) to the financial statements. If the lease payment cannot be allocated reliably between these two elements, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

For a lease of land and building in which the amount that would initially be recognised for the land element is immaterial, the land and buildings are treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the buildings is regarded as the economic life of the entire leased asset.

4.5 Investments

(a) Subsidiaries

A subsidiary is an entity in which the Group and the Company has power to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

An investment in subsidiary, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any. On disposal of such an investment, the difference between the net disposal proceeds and its carrying amount is included in the income statement.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.5 Investments (cont'd)

(b) Jointly controlled entities

A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entities over which there is contractually agreed sharing of joint control over the economic activity of the entity. Joint control exists when the strategic financial and operational decisions relating to the activity require the unanimous consent of all the parties sharing control.

In the Company's separate financial statements, an investment in jointly controlled entities is stated at cost less impairment losses, if any.

The investment in jointly controlled entity is accounted for in the consolidated financial statements using the equity method of accounting. The Group's share of the profit or loss of the jointly controlled entity during the financial year is included in the consolidated financial statements, 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.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. When necessary, in applying the equity method, adjustments are made to the financial statements of the jointly controlled entity to ensure consistency of accounting policies with those of the Group.

Unrealised gains on transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of the jointly controlled entity to ensure consistency of accounting policies with those of the Group.

Upon disposal of such investment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

(c) Other investments

Non-current investments other than investments in subsidiaries, associates, jointly controlled entities and investment properties are stated at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

All current investments are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investments.

Upon disposal of such investment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.6 Goodwill

Goodwill acquired in a business combination is recognised as an asset at the acquisition date and is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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.

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.

4.7 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries and a jointly controlled entity), inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill that has an indefinite useful life is tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not probable to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit (CGU) to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's CGU or groups of CGU that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets on liabilities of the acquiree are assigned to those units or groups of units.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in the income statement when the carrying amount of the asset or the CGU, including the goodwill, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in the income statement immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation reserve to the extent of the surplus credited from the previous revaluation for the same asset with the excess of the impairment loss charged to the income statement.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.7 Impairment of non-financial assets (cont'd)

An impairment loss is only reversed 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.

Such reversals are recognised as income immediately in the income statement except for the reversal of an impairment loss on a revalued asset where the reversal of the impairment loss is treated as a revaluation increase and credited to the revaluation reserve account of the same asset. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

4.8 Inventories

Inventories are stated 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.

4.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

4.9.1 Financial instruments recognised on the balance sheets

Financial instruments are recognised on the balance sheets when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and losses and gains relating to a financial instrument or a component that is a financial liability shall be recognised as income or expense in the income statement. Distributions to holders of an equity instrument are debited directly to equity, net of any related tax effect. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.9 Financial instruments (cont'd)

4.9.1 Financial instruments recognised on the balance sheets (cont'd)

(a) Receivables

Trade receivables and other receivables, including amounts owing by a jointly controlled entity and related parties, are classified as loans and receivables under FRS 132 *Financial Instruments: Disclosure and Presentation*. Such assets are carried at amortised cost using the effective interest method.

Receivables are carried at anticipated realisable value. Known bad debts are written off and specific allowance is made for debts considered to be doubtful of collection.

(b) Short term investment

Short term investment is stated at the lower of cost and market value, determined on a portfolio basis. Cost is determined on weighted average basis while market value is determined based on quoted market values. Increase or decrease in the carrying amount of short term investment is recognised in the income statement.

Investment in fixed income trust funds that do not meet the definition of cash and cash equivalents are classified as short term investment.

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

(c) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, deposits and other short term, highly liquid investments which are readily convertible to cash and which are subject to insignificant risk of changes in value. For the purpose of cash flow statements, the cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(d) Payables

Liabilities for trade and other amounts payable, including amounts owing to related parties, are initially recognised at fair value of the consideration to be paid in the future for goods and services received, and subsequently measured at amortised cost using the effective interest method.

(e) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(f) Equity instruments

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to the income statement.

Dividends to shareholders are recognised in equity in the period in which they are declared.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.9 Financial instruments (cont'd)

4.9.1 Financial instruments recognised on the balance sheets (cont'd)

(f) Equity instruments (cont'd)

Where the Company reacquires its own equity instrument, the consideration paid, including any attributable transaction costs is deducted from equity as treasury shares until they are cancelled. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments. Where such shares are issued by resale, the difference between the sales consideration and the carrying amount is shown as a movement in equity.

4.9.2 Financial instruments not recognised on the balance sheets

There are no financial instruments not recognised on the balance sheets.

4.10 Borrowing costs

All borrowings 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 payment 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.

4.11 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by a foreign subsidiary or jointly controlled entity on distributions to the Group and Company.

Taxes in the income statement comprise current tax and deferred tax.

(a) Current tax

Current tax is the amount of income taxes payable or receivable in respect of the taxable profit or loss for a period.

Current tax for the current and prior periods is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted by the balance sheet date.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the balance sheet and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.11 Income taxes (cont'd)

(b) Deferred tax (cont'd)

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profits.

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

Deferred tax will be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

4.12 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Provision for warranties is recognised based on the estimated liabilities to repair or replace products when the underlying products or services are sold. The estimated liability is based on historical warranty data and a weighting of all possible outcome against their associated probabilities.

4.13 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
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(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.13 Contingent liabilities and contingent assets (cont'd)

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

4.14 Employee benefits

4.14.1 Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the year when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

4.14.2 Defined contribution plans

The Company and subsidiaries incorporated in Malaysia make contributions to a statutory provident fund and foreign subsidiaries make contributions to their respective countries' statutory pension schemes. The contributions are recognised as a liability after deducting contribution already paid and as an expense in the period in which the employees render their services.

4.14.3 Share-based payments

The Group operates an equity-settled share-based compensation plan, allowing the employees of the Group to acquire ordinary shares of the Company at predetermined prices. The total fair value of share options granted to employees is recognised as an expense with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest.

The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the options are exercised, upon which it will be transferred to share premium, or until the options expire, upon which it will be transferred directly to retained earnings.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.14 Employee benefits (cont'd)

4.14.3 Share-based payments (cont'd)

The proceeds received net of any directly attributable transaction cost are credited to equity when the options are exercised.

4.15 Foreign currencies

4.15.1 Functional and presentation currency

The separate financial statements of each entity in the Group are measured using the functional currency which is the currency of the primary economic environment in which the entity operates.

4.15.2 Foreign currency translations and balances

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

4.15.3 Foreign operations

Financial statements of foreign operations are translated at financial year end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the balance sheet date.

4.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the Group's activities as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer and where the Group retains neither continuing managerial involvement over the goods, which coincides with delivery of goods and services and acceptance by customers.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.16 Revenue recognition (cont'd)

(b) Dividend income

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

(c) Interest income

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

(d) Rental income

Rental income is accounted for on a straight line basis over the lease terms on ongoing leases. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight line basis.

4.17 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.

4.18 Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between Group enterprises within a single element.

5. ADOPTION OF NEW FRS AND AMENDMENT TO FRS

5.1 Amendment to FRS and new FRSs adopted

(a) Amendment to FRS 121 *The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation* is mandatory for annual periods beginning on or after 1 July 2007.

This amendment results in exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation to be recognised in equity irrespective of the currency in which the monetary item is denominated and if whether the monetary item results from a transaction with the Company or any of its subsidiaries. Previously, exchange differences arising from such transactions between the Company and its subsidiaries would be accounted for in profit or loss or in equity depending on the currency of the monetary item.

5. ADOPTION OF NEW FRS AND AMENDMENT TO FRS (cont'd)

5.1 Amendment to FRS and new FRSs adopted (cont'd)

(b) The following FRSs are mandatory for annual periods beginning on or after 1 July 2007:

FRS 107	*Cash Flow Statements*
FRS 111	*Construction Contracts*
FRS 112	*Income Taxes*
FRS 118	*Revenue*
FRS 120	*Accounting for Government Grants and Disclosure of Government Assistance*
FRS 134	*Interim Financial Reporting*
FRS 137	*Provisions, Contingent Liabilities and Contingent Assets*

These FRSs align the Malaysian Accounting Standards Board ('MASB') FRSs with the equivalent International Accounting Standards ('IAS'), both in terms of form and content. The adoption of these Standards will only impact the form and content of disclosures presented in the financial statements.

(c) The following IC Interpretations are mandatory for annual periods beginning on or after 1 July 2007:

IC Interpretation 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*
IC Interpretation 2	*Members' Shares in Co-operative Entities and Similar Instruments*
IC Interpretation 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
IC Interpretation 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*
IC Interpretation 7	*Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies*

The above IC Interpretations are not relevant to the Group's operations.

(d) IC Interpretation *8 Scope of FRS 2* is mandatory for annual periods beginning on or after 1 July 2007.

This Interpretation applies to transactions in which goods or services are received, including transactions in which the entity cannot identify specifically some or all of the goods or services received. Where the fair value of the share-based payment is in excess of the identifiable goods or services received, the entire fair value of the share-based payment will be charged to profit or loss.

The adoption of this Interpretation has no impact on the share-based payment recognition and measurement in the financial statements.

(e) *Framework for the Preparation and Presentation of Financial Statements* ('Framework') is effective for annual periods beginning on or after 1 July 2007.

The Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It is not a MASB approved FRS as defined in paragraph 11 of FRS 101 *Presentation of Financial Statements* and hence, does not define standards for any particular measurement or disclosure issue.

5.2 New FRSs not adopted

(a) FRS 8 *Operating Segments* and the consequential amendments resulting from FRS 8 are mandatory for annual financial periods beginning on or after 1 July 2009.

FRS 8 sets out the requirements for disclosure of information on an entity's operating segments, products and services, the geographical areas in which it operates and its customers.

NOTES TO THE FINANCIAL STATEMENTS
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(cont'd)

5. ADOPTION OF NEW FRS AND AMENDMENT TO FRS (cont'd)

5.2 New FRSs not adopted (cont'd)

(a) FRS 8 *Operating Segments* and the consequential amendments resulting from FRS 8 are mandatory for annual financial periods beginning on or after 1 July 2009. (cont'd)

The requirements of this standard are based on the information about the components of the entity that management uses to make decisions about operating matters. The standard requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.

The standard also requires the amount reported for each operating segment item to be the measure reported to the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance. Segment information for prior years that is reported as comparative information for the initial year of application would be restated to conform to the requirements of this standard.

(b) FRS 4 *Insurance Contracts* and the consequential amendments resulting from FRS 4 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 4 replaces the existing FRS 202_{2004} *General Insurance Business* and FRS 203_{2004} *Life Insurance Business*.

The standard applies to all insurance contracts, including reinsurance contracts that an entity issues and to reinsurance contracts that it holds. The standard prohibits provisions for potential claims under contracts that are not in existence at the reporting date, and requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets. The standard also requires an insurer to keep insurance liabilities in its balance sheet until they are discharged or cancelled, or expire, and to present insurance liabilities without offsetting them against related reinsurance assets.

FRS 4 is not relevant to the Group's operations.

(c) FRS 7 *Financial Instruments: Disclosures* and the consequential amendments resulting from FRS 7 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 7 replaces the disclosure requirements of the existing FRS 132 *Financial Instruments: Disclosure and Presentation*.

The standard applies to all risks arising from a wide array of financial instruments and requires the disclosure of the significance of financial instruments for an entity's financial position and performance.

The standard requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The qualitative disclosures describe the management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information on the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

(d) FRS 139 *Financial Instruments: Recognition and Measurement* and the consequential amendments resulting from FRS 139 are mandatory for annual financial periods beginning on or after 1 January 2010.

The standard establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. By virtue of the exemption provided under paragraph 103AB of FRS 139, the impact of applying FRS 139 on the consolidated financial statements upon first adoption of the FRS as required by paragraph 30(b) of FRS 108 *Accounting Policies, Change in Accounting Estimates and Errors* is not disclosed.

5. ADOPTION OF NEW FRS AND AMENDMENT TO FRS (cont'd)

5.2 New FRSs not adopted (cont'd)

(e) IC Interpretation 9 *Reassessment of Embedded Derivatives* is mandatory for annual financial periods beginning on or after 1 January 2010.

This Interpretation prohibits the subsequent reassessment of embedded derivatives unless there is a change in the terms of the host contract that significantly modifies the cash flows that would otherwise be required by the host contract.

IC Interpretation 9 is not relevant to the Group's operations.

(f) IC Interpretation 10 *Interim Financial Reporting and Impairment* is mandatory for annual financial periods beginning on or after 1 January 2010.

This Interpretation prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

IC Interpretation 10 is not relevant to the Group's operations.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Critical judgements made in applying accounting policies

There are no critical judgements made by management in the process of applying the Group's accounting policies that have significant effect on the amounts recognised in the financial statements.

6.2 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Impairment of goodwill on consolidation

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the subsidiaries to which goodwill is allocated. Discount rates are used in deriving the present value of the net cash flows in determining the CGU or assets' value-in-use together with the projected cash flows on the CGU or assets to test for impairment on goodwill. Further details are disclosed in Note 9 to the financial statements.

(b) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within four to fifty years. These are common life expectancies applied in the industry in which the Group operates. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS
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(cont'd)

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

6.2 Key sources of estimation uncertainty (cont'd)

(b) Depreciation of property, plant and equipment (cont'd)

During the current financial year, the management reviewed and revised the estimated useful lives of property, plant and equipment of a subsidiary in Vietnam as disclosed below, with a total net book value of RM2,812,672, to be in line with the group accounting policy.

	2008	**2007**
Buildings	40 years	25 years
Plant and machinery	10 years	5 - 7 years
Furniture, fittings and office equipment	10 years	3 - 5 years
Motor vehicles	10 years	6 - 10 years

The revisions were accounted for a change in accounting estimates and as a result, the depreciation charges of the Group for the current financial year has been reduced by RM294,307.

(c) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(d) Allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Directors and management specifically analyse historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of allowance for doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(e) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the effective interest rate approximate the current market interest rates available to the Group based on its size and its business risk.

(f) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimates net selling price. Inventories are written down when events or changes in circumstance indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

7. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2008 RM'000	Additions RM'000	Write off RM'000	Disposals RM'000	Depreciation charges for the financial year RM'000	Translation adjustments RM'000	Reclassi-fications RM'000	Balance as at 31.12.2008 RM'000
Carrying amount								
Freehold land at 1995 valuation	1,009	-	-	-	-	-	-	1,009
Buildings								
- at 1995 valuation	5,872	22	-	-	(159)	-	-	5,735
- at cost	7,345	39	-	-	(279)	(174)	-	6,931
Plant and machinery	17,286	2,642	-	(7)	(3,167)	(210)	436	16,980
Furniture, fittings and office equipment	756	87	(2)	-	(18)	(13)	(297)	513
Motor vehicles	1,551	1,685	-	(521)	(299)	(12)	-	2,404
Capital work-in-progress	9	6,517	-	-	-	-	(139)	6,387
	33,828	10,992	(2)	(528)	(3,922)	(409)	-	39,959

	[------------- At 31.12.2008 -------------		]
	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Freehold land at 1995 valuation	1,009	-	1,009
Buildings			
- at 1995 valuation	7,716	(1,981)	5,735
- at cost	8,563	(1,632)	6,931
Plant and machinery	43,914	(26,934)	16,980
Furniture, fittings and office equipment	2,367	(1,854)	513
Motor vehicles	3,258	(854)	2,404
Capital work-in-progress	6,387	-	6,387
	73,214	(33,255)	39,959

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(cont'd)

7. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Balance as at 1.1.2007 RM'000	Additions RM'000	Disposals RM'000	Depreciation charges for the financial year RM'000	Translation adjustments RM'000	Transfers RM'000	Balance as at 31.12.2007 RM'000
Carrying amount							
Freehold land at 1995 valuation	1,009	-	-	-	-	-	1,009
Buildings							
- at 1995 valuation	5,975	87	-	(158)	-	(32)	5,872
- at cost	8,118	14	-	(332)	(455)	-	7,345
Plant and machinery	20,089	1,360	(111)	(3,439)	(626)	13	17,286
Furniture, fittings and office equipment	684	134	(1)	(241)	(72)	252	756
Motor vehicles	1,644	268	(45)	(294)	(22)	-	1,551
Capital work-in-progress	343	9	-	-	-	(343)	9
	37,862	1,872	(157)	(4,464)	(1,175)	(110)	33,828

	[------------- At 31.12.2007 -------------]		
	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Freehold land at 1995 valuation	1,009	-	1,009
Buildings			
- at 1995 valuation	7,694	(1,822)	5,872
- at cost	8,731	(1,386)	7,345
Plant and machinery	41,971	(24,685)	17,286
Furniture, fittings and office equipment	2,662	(1,906)	756
Motor vehicles	3,042	(1,491)	1,551
Capital work-in-progress	9	-	9
	65,118	(31,290)	33,828

7. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) Included in the property, plant and equipment of the Group are motor vehicles with a net book value of RM2,000 (2007: RM2,000) 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.

(b) Revaluation

The freehold land and factory buildings are stated at Directors' valuation based on professional valuations on the open market value basis conducted in September 1995. In accordance with the transitional provisions issued by MASB upon adoption of International Accounting Standards ("IAS") No. 16 (Revised) Property, Plant and Equipment, the valuation of these assets has not been updated, and they continue to be stated at their existing carrying amount less accumulated depreciation.

Had the freehold land and buildings been carried at historical cost less accumulated depreciation, the carrying amount of the revalued assets would have been as follows:

	Group	
	2008	**2007**
	RM'000	**RM'000**
Freehold land	405	405
Buildings	3,034	3,121
	3,439	3,526

(c) As at 31 December 2008, certain property, plant and equipment of the subsidiaries with a carrying amount of RM20,496,000 (2007: RM21,625,000) are subject to a registered debenture to secure bank loans as disclosed in Note 19 to the financial statements.

(d) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	Group	
	2008	**2007**
	RM'000	**RM'000**
Purchase of property, plant and equipment	10,992	1,872
Financed by hire purchase arrangements	(1,360)	-
Cash payments on purchase of property, plant and equipment	9,632	1,872

Included in property, plant and equipment of the Group are motor vehicles acquired under hire purchase arrangements with a net book value of RM1,695,000 (2007: RM909,000).

NOTES TO THE FINANCIAL STATEMENTS
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(cont'd)

8. PREPAID LEASE PAYMENTS FOR LAND

Group	Balance as at 1.1.2008 RM'000	Amortisation charge for the financial year RM'000	Balance as at 31.12.2008 RM'000
Carrying amount			
Leasehold land	4,130	(81)	4,049

	[---------------- At 31.12.2008 ----------------		]
	Cost RM'000	Accumulated amortisation RM'000	Carrying amount RM'000
Leasehold land	4,866	(817)	4,049

Group	Balance as at 1.1.2007 RM'000	Amortisation charge for the financial year RM'000	Balance as at 31.12.2007 RM'000
Carrying amount			
Leasehold land	4,212	(82)	4,130

	[---------------- At 31.12.2007 ----------------		]
	Cost RM'000	Accumulated amortisation RM'000	Carrying amount RM'000
Leasehold land	4,866	(736)	4,130

	Group 2008 RM'000	Group 2007 RM'000
Analysed as:		
Long term leasehold land	2,522	2,556
Short term leasehold land	1,527	1,574
	4,049	4,130

At 31 December 2008, prepaid lease payments for land with a carrying amount of RM4,049,000 (2007: RM1,574,000) are charged to financial institutions for banking facilities granted to the Group as disclosed in Note 19 to the financial statements.

9. INTANGIBLE ASSETS

Group	Balance as at 1.1.2008 RM'000	Additions RM'000	Balance as 31.12.2008 RM'000
Carrying amount			
Goodwill	1,924	-	1,924

	[---------------- At 31.12.2008 ----------------]		
	Cost RM'000	Accumulated impairment RM'000	Carrying amount RM'000
Goodwill	1,924	-	1,924

Group	Balance as at 1.1.2007 RM'000	Additions RM'000	Balance as 31.12.2007 RM'000
Carrying amount			
Goodwill	1,924	-	1,924

	[---------------- At 31.12.2007 ----------------]		
	Cost RM'000	Accumulated impairment RM'000	Carrying amount RM'000
Goodwill	1,924	-	1,924

The carrying amount of goodwill arising from the acquisition of the respective subsidiaries allocated to the Group's CGU is as follows:

	Group	
	2008 RM'000	2007 RM'000
Manufacturing of webbings, yarn and furniture components	1,924	1,924

NOTES TO THE FINANCIAL STATEMENTS
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(cont'd)

9. INTANGIBLE ASSETS (cont'd)

The recoverable amount of the CGU is determined based on a "value-in-use" calculation. The value-in-use of the CGU was determined by discounting the future cash flows to be generated from continuing use of the CGU. The value-in-use is derived based on the management's cash flow projection for three (3) financial years from 2009 to 2011.

The key assumptions used in the value-in-use calculations are as follows:

(a) The cash flow projection is developed based on the CGU past performance; and

(b) Pre-tax discount rate of 8.18% was applied over the projection periods in determining the recoverable amount of the CGU. The discount rate used is pre-tax and reflects the subsidiary's overall weighted average cost of capital.

With regards to the assessment of value-in-use of the CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the CGU to be materially exceeded the recoverable amounts.

10. INVESTMENTS IN SUBSIDIARIES

	Company	
	2008 RM'000	2007 RM'000
Unquoted equity shares - at cost	41,197	40,519

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Interest in equity held by Company 2008 %	Company 2007 %	Subsidiaries 2008 %	Subsidiaries 2007 %	Principal activities
Furniweb Manufacturing Sdn. Bhd.^	Malaysia	100	100	-	-	Manufacture and sale of upholstery webbings, covered elastic yarn and rigid webbings
Texstrip Manufacturing Sdn. Bhd.^	Malaysia	100	100	-	-	Manufacture and marketing of rubber strips and sheets
First Elastic Corporation (M) Sdn. Bhd.^	Malaysia	100	100	-	-	Manufacture and sale of narrow fabrics
Webtex Trading Sdn. Bhd.^	Malaysia	100	100	-	-	Trading of machinery and accessories and acts as commission agent

10. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of company	Country of incorporation	Interest in equity held by Company 2008 %	Company 2007 %	Subsidiaries 2008 %	Subsidiaries 2007 %	Principal activities
Premier Gesture Sdn. Bhd.^	Malaysia	100	100	-	-	Investment holding company
Furniweb (Vietnam) Shareholding Company (formerly known as Furniweb Manufacturing (Vietnam) Co. Ltd)*	Vietnam	100	100	-	-	Manufacture and sale of upholstery webbings and covered elastic yarn
Subsidiaries of Furniweb Manufacturing Sdn. Bhd.						
Syarikat Sri Kepong Sdn. Bhd.^	Malaysia	-	-	100	100	Property holding company
Furniweb Safety Webbing Sdn. Bhd.^	Malaysia	-	-	100	100	Manufacture and sale of safety webbing
Subsidiaries of Furniweb (Vietnam) Shareholding Company (formerly known as Furniweb Manufacturing (Vietnam) Co. Ltd.)						
Premier Elastic Webbing & Accessories (Vietnam) Co. Ltd.*	Vietnam	-	100	100	-	Manufacture and sale of narrow fabrics
Furnitech Components (Vietnam) Co. Ltd.*	Vietnam	-	-	72	60	Manufacture and sale of metal components for furniture industry

^ Subsidiaries audited by BDO Binder, Malaysia
* Subsidiaries audited by Member Firms of BDO International

(a) On 18 February 2008, the Company entered into a Capital Assignment Agreement with FVSC for the Company to assign to FVSC its 100% capital in PEWA, together with all accrued rights. Subsequently, the Company used the sale proceeds arising from the disposal of PEWA to increase its investment in FVSC by RM3,160,000.

(b) On 7 August 2008, the Company, via its wholly-owned subsidiary, FVSC, increased its investment in FCV from USD1,140,000 to USD1,440,000 through an additional capital contribution of USD300,000. FVSC's ownership in FCV has increased from 60% to 71.56% pursuant to the additional contribution.

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31 December 2008
(cont'd)

11. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group 2008 RM'000	Group 2007 RM'000
Unquoted equity shares, at cost	570	570
Share of post acquisition reserves, net of dividends received	176	465
	746	1,035

The details of the jointly controlled entity are as follows:

Name of company	Country of incorporation	Interest in equity held by subsidiary 2008 %	Interest in equity held by subsidiary 2007 %	Principal activities
Trunet (Vietnam) Co. Ltd.*	Vietnam	50%	50%	Manufacture and marketing of meat netting and rootball netting

* Audited by Member Firms of BDO International

The Group's aggregate share of the assets, liabilities and income and expenses of the jointly controlled entity are as follows:

	Group 2008 RM'000	Group 2007 RM'000
Assets and liabilities		
Current assets	983	1,203
Non-current assets	112	192
Total assets	1,095	1,395
Current liabilities	343	351
Non-current liabilities	6	9
Total liabilities	349	360
Results		
Revenue	1,539	1,878
Expenses, including finance costs and tax expense	230	221

12. OTHER INVESTMENTS

	Group 2008 RM'000	Group 2007 RM'000
Non-current		
Unquoted shares in Malaysia, at cost	-	148
Less: Allowance for diminution in value	-	(82)
	-	66
Less: Disposal	-	(66)
	-	-

13. INVENTORIES

	Group 2008 RM'000	Group 2007 RM'000
At cost		
Raw materials	11,320	11,087
Work-in-progress	4,695	4,554
Manufactured inventories	6,688	5,915
Other consumables	796	733
	23,499	22,289

In 2008, inventories recognised as cost of sales amounted to RM44,259,000 (2007: RM42,666,000). Inventories written down amounted to RM455,000 (2007: RM335,000) are included in cost of sales.

14. TRADE AND OTHER RECEIVABLES

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Trade receivables				
Third parties	17,027	20,196	-	-
Amount owing by a jointly controlled entity	-	36	1	1
	17,027	20,232	1	1
Less: Allowance for doubtful debts - Third parties	(687)	(641)	-	-
	16,340	19,591	1	1

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(cont'd)

14. TRADE AND OTHER RECEIVABLES (cont'd)

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Other receivables, deposits and prepayments				
Amounts owing by subsidiaries	-	-	2,712	2,581
Other receivables	649	702	52	51
Deposits	137	327	7	7
Prepayments	608	993	10	25
	1,394	2,022	2,781	2,664
	17,734	21,613	2,782	2,665

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from one (1) month to three (3) months.

(b) Amount owing by a jointly controlled entity is unsecured, interest-free and payable upon demand.

(c) Amounts owing by subsidiaries are unsecured, interest-free and payable upon demand.

(d) The currency exposure profile of receivables are as follows:

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Ringgit Malaysia	5,481	7,829	1,951	1,866
U.S. Dollar	8,390	9,526	831	799
Vietnamese Dong	3,351	2,642	-	-
Pound Sterling	47	33	-	-
Australian Dollar	-	222	-	-
Canadian Dollar	94	-	-	-
Swiss Franc	16	-	-	-
EURO	355	1,361	-	-
	17,734	21,613	2,782	2,665

15. SHORT TERM INVESTMENT

	Group 2008 RM'000	Group 2007 RM'000
At cost		
Investment in fixed income trust funds in Malaysia	102	-

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deposits placed with financial institutions	3,590	5,554	1,832	1,776
Cash and bank balances	14,263	10,797	3,159	2,987
	17,853	16,351	4,991	4,763

(a) Information on financial risks of cash and cash equivalents is disclosed in Note 34 to the financial statements.

(b) The currency exposure profile of cash and cash equivalents are as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Ringgit Malaysia	11,824	9,736	4,990	4,757
U.S. Dollar	5,172	3,826	1	6
Vietnamese Dong	855	2,787	-	-
EURO	2	2	-	-
	17,853	16,351	4,991	4,763

(c) For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the balance sheet date:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deposits placed with financial institutions	3,590	5,554	1,832	1,776
Cash and bank balances	14,263	10,797	3,159	2,987
	17,853	16,351	4,991	4,763
Less: Deposit pledged to a licensed bank	(126)	(121)	-	-
	17,727	16,230	4,991	4,763

17. SHARE CAPITAL AND TREASURY SHARES

	Group and Company			
	2008		2007	
	Number of shares 000	RM'000	Number of shares '000	RM'000
Ordinary shares of RM0.50 each:				
Authorised	200,000	100,000	200,000	100,000
Issued and fully paid:				
Balance as at 1 January	90,710	45,355	90,000	45,000
Issued for cash pursuant to employee share options scheme	33	16	710	355
Balance as at 31 December	90,743	45,371	90,710	45,355

NOTES TO THE FINANCIAL STATEMENTS
31 December 2008
(cont'd)

17. SHARE CAPITAL AND TREASURY SHARES (cont'd)

(a) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from RM45,354,700 to RM45,371,200 by way of issuance of 33,000 new ordinary shares of RM0.50 each for cash pursuant to the exercise of Employee Share Options (Note 31).

(b) The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

(c) Of the total 90,743,000 (2007: 90,710,000) issued and fully paid ordinary shares of RM0.50 each as at 31 December 2008, 209,000 (2007: 209,000) ordinary shares of RM0.50 each with a cumulative total consideration amounting to RM87,000 (2007: RM87,000) are held as treasury shares by the Company. The number of outstanding shares in issue after the share buy-back is 90,534,000 (2007: 90,501,000) ordinary shares of RM0.50 each as at 31 December 2008.

18. RESERVES

	Group		Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Non-distributable:				
Share premium	368	363	368	363
Exchange translation reserve	(3,071)	(2,286)	-	-
Share options reserve	237	185	237	185
	(2,466)	(1,738)	605	548
Distributable:				
Retained earnings	30,278	26,534	12,242	13,600
	27,812	24,796	12,847	14,148

(a) Exchange translation reserve

The exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(b) Share options reserve

The share options reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on the grant date of share options.

(c) Retained earnings

Effective 1 January 2008, the Company is given the option to make an irrevocable election to move to a single tier system or to continue to use its tax credit under Section 108 of the Income Tax Act 1967 for the purpose of dividend distribution until the tax credit is fully utilised or latest, by 31 December 2013.

18. RESERVES (cont'd)

(c) Retained earnings (cont'd)

Subject to agreement by the Inland Revenue Board,

(i) the Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 to frank the payment of approximately RM339,000 out of its retained earnings as dividends; and

(ii) the Company has approximately RM705,000 in its tax exempt accounts available for distribution of tax exempt dividends.

19. BORROWINGS

	Group	
	2008 RM'000	**2007 RM'000**
Current liabilities		
Term loans (secured)	3,421	2,763
Trade bills (secured)	7,106	7,116
Hire purchase creditors (Note 20)	360	295
	10,887	10,174
Non-current liabilities		
Term loans (secured)	9,655	8,275
Hire purchase creditors (Note 20)	745	39
	10,400	8,314
	21,287	18,488
Total borrowings		
Term loans (secured)	13,076	11,038
Trade bills (secured)	7,106	7,116
Hire purchase creditors (Note 20)	1,105	334
	21,287	18,488

The currency exposure profile of borrowings are as follows:

	Group	
	2008 RM'000	**2007 RM'000**
Ringgit Malaysia	10,928	6,173
U.S. Dollar	5,607	7,398
Vietnamese Dong	4,752	4,917
	21,287	18,488

19. BORROWINGS (cont'd)

Security

The Group's term loans and trade bills are secured by the following:

i) a fixed charge over the subsidiaries' freehold land, buildings and prepaid lease payments for land;

ii) a pledge over the subsidiaries' assets;

iii) fixed deposit amounting to RM126,000 (2007: RM121,000);

iv) bank guarantee amounting to RM1,500,000 (2007: RM1,500,000);

v) a pledge in favour of a third party, the entire issued and fully paid-up share capital of a wholly-owned subsidiary, Furniweb Safety Webbing Sdn. Bhd.;

vi) the credit facilities granted to the subsidiaries are also guaranteed by the Company (see Note 24).

Information on financial risks of borrowings and its remaining maturity is disclosed in Note 34 to the financial statements.

20. HIRE PURCHASE CREDITORS

	Group	
	2008	**2007**
	RM'000	**RM'000**
Minimum hire purchase payments		
- not later than one (1) year	400	307
- later than one (1) year but not later than five (5) years	779	39
Total minimum hire purchase payments	1,179	346
Less: Future interest charges	(74)	(12)
Present value of hire purchase payments	1,105	334
Repayable as follows:		
Current liabilities		
- not later than one (1) year	360	295
Non current liabilities		
- later than one (1) year and not later than five (5) years	745	39
	1,105	334

21. DEFERRED TAX LIABILITIES

(a) The deferred tax liabilities are made up of the following:

	Group 2008 RM'000	Group 2007 RM'000
Balance as at 1 January	1,724	2,135
Recognised in the income statement (Note 27)	183	(411)
Balance as at 31 December	1,907	1,724
Presented after appropriate offsetting:		
Deferred tax liabilities, net	1,907	1,724

(b) The components and movements of deferred tax liabilities during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group

	Revaluation reserve RM'000	Property, plant and equipment RM'000	Allowances RM'000	Total RM'000
At 1 January 2008	863	1,236	(375)	1,724
Recognised in the income statement	(23)	110	96	183
At 31 December 2008	840	1,346	(279)	1,907
At 1 January 2007	886	1,441	(192)	2,135
Recognised in the income statement	(23)	(205)	(183)	(411)
At 31 December 2007	863	1,236	(375)	1,724

(c) The amount of temporary differences for which no deferred tax asset has been recognised in the balance sheet are as follows:

	Group 2008 RM'000	Group 2007 RM'000
Unrealised foreign exchange loss	-	114
Unrecognised tax losses		
- Local subsidiary	172	-
- Foreign subsidiaries (At tax rate of 15%)	5,338	4,172

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that future taxable profit of the subsidiaries will be available against which the deductible temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2008
(cont'd)

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade payables				
Third parties	4,584	5,979	-	-
Other payables				
Amount owing to a subsidiary	-	-	2,006	2006
Amount owing to a jointly controlled entity	251	-	-	-
Other payables	2,731	2,524	1	-
Accruals	1,788	2,157	32	31
	4,770	4,681	2,039	2,037
	9,354	10,660	2,039	2,037

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from one (1) month to three (3) months.

(b) Amount owing to all related parties are unsecured, interest-free and payable upon demand.

(c) Information on financial risks of trade and other payables is disclosed in Note 34 to the financial statements.

(d) The currency exposure profile of payables are as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Ringgit Malaysia	4,508	5,562	2,039	2,037
U.S. Dollar	2,557	2,999	-	-
Vietnamese Dong	2,284	1,555	-	-
EURO	5	-	-	-
Singapore Dollar	-	8	-	-
Japanese Yen	-	536	-	-
	9,354	10,660	2,039	2,037

23. COMMITMENTS

(a) Operating lease commitment

Non-cancellable operating lease rental are as follows:

	Group 2008 RM'000	Group 2007 RM'000
Not later than one (1) year	351	355
Later than one (1) and not later than five (5) years	1,267	1,505
Later than five (5) years	10,400	12,178
	12,018	14,038

The Group leases a number of office facilities and certain plant under operating leases. The leases typically run for an initial period of between forty four (44) and forty seven (47) years, with an option to renew the lease at the end of the lease term. None of the leases included contingent rentals.

(b) Capital commitments

	Group 2008 RM'000	Group 2007 RM'000
Property, plant and equipment - contracted but not provided for	1,372	6,880

24. CONTINGENT LIABILITIES

	Company 2008 RM'000	Company 2007 RM'000
Corporate guarantee given to banks for credit facilities granted to subsidiaries - secured	53,585	54,337

25. REVENUE

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Sales of goods	93,562	93,816	-	-
Management fees	-	-	93	91
Dividend income from subsidiaries	-	-	3,261	13,562
	93,562	93,816	3,354	13,653

NOTES TO THE FINANCIAL STATEMENTS
31 December 2008
(cont'd)

26. OPERATING PROFIT

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Operating profit is arrived at after charging:				
Amortisation of prepaid lease payments for land (Note 8)	81	82	-	-
Allowance for doubtful debts	46	45	-	-
Auditors' remuneration				
- statutory audit	131	132	21	20
- other services	5	5	5	5
Directors' remuneration				
- fees	290	290	185	185
- other emoluments	2,280	2,296	-	-
Loss on foreign exchange				
- unrealised	-	155	664	55
- realised	-	33	-	-
Depreciation of property, plant and equipment (Note 7)	3,922	4,464	-	-
Interest expense on				
- term loans	722	988	-	-
- trade bills	927	598	-	-
- hire purchase creditors	49	31	-	-
Inventories written down	455	335	-	-
Loss on disposal of property, plant and equipment	-	23	-	-
Share options granted under ESOS (Note 31)	57	178	57	178
Rental expenses	425	576	-	-
Loss on disposal of investment in a subsidiary	-	-	921	-
Property, plant and equipment written off	2	-	-	-
and after crediting:				
Dividend income from subsidiaries	-	-	3,261	13,562
Interest income	352	284	104	121
Gain on disposal of other investments	-	111	-	22
Rental income	83	-	-	-
Gain on disposal of property, plant and equipment	152	-	-	-
Reversal of inventories written down	113	-	-	-
Gain on foreign exchange				
- unrealised	117	-	-	-
- realised	410	-	-	-

27. TAX EXPENSE

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Recognised in the income statement				
Tax expense	1,778	249	63	87
Share of tax of jointly controlled entity	13	23	-	-
	1,791	272	63	87
Major components of tax expense include:				
Malaysia				
- current year provision	648	752	51	139
- under/(over) provision in prior years	131	(382)	12	(52)
Overseas				
- current year provision	621	290	-	-
- under provision in prior years	195	-	-	-
Total current tax recognised in the income statement	1,595	660	63	87
Deferred tax expense				
Origination and reversal of temporary differences	46	11	-	-
Reversal of deferred tax liabilities on crystallisation of revaluation reserves of property, plant and equipment	(23)	(23)	-	-
Under/(Over) provision in prior years	160	(399)	-	-
Total deferred tax recognised in the income statement (Note 21)	183	(411)	-	-
Share of tax of jointly controlled entity	13	23	-	-
Total tax expense	1,791	272	63	87

The Malaysian income tax is calculated at the statutory tax rate of 26% (2007: 27%) of the estimated taxable profits for the fiscal year. The Malaysian statutory tax rate has been reduced to 26% from the previous financial year's rate of 27% for the fiscal year of assessment 2007 and to 25% for the fiscal year of assessment 2009 onwards. The computation of deferred tax as at 31 December 2008 has reflected these changes.

Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS
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(cont'd)

27. TAX EXPENSE (cont'd)

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the application tax rates of the Group and of the Company are as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Tax at Malaysian statutory tax rate (2008: 26%; 2007: 27%)	2,025	2,227	369	3,514
Tax effects in respects of:				
Effects of different tax rates in foreign jurisdictions	(855)	(1,147)	-	-
Effect of using different tax rate for chargeable income of up to RM500,000 of certain subsidiaries	(35)	(36)	-	-
Non-allowable expenses	497	630	487	287
Tax incentives	(386)	(726)	-	-
Tax exempt income	-	(105)	(805)	(3,662)
Income not subjected to tax	(65)	-	-	-
Reversal of deferred tax liabilities on crystallisation of revaluation reserves of property, plant and equipment	(23)	(23)	-	-
Deferred tax asset not recognised	220	297	-	-
Utilisation of previously unrecognised deferred tax asset	(30)	-	-	-
Reduction in deferred taxes resulting from changes in tax rate	(43)	(64)	-	-
Under/(Over) provision of tax expense in prior years	326	(382)	12	(52)
Under/(Over) provision of deferred tax in prior years	160	(399)	-	-
	1,791	272	63	87

28. EARNINGS PER ORDINARY SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year:

	Group	
	2008 RM'000	2007 RM'000
Profit attributable to equity holders of the Company	6,460	8,793

	Group	
	2008	2007
Weighted average number of ordinary shares in issue	90,709,400	90,000,000
Treasury shares held	(208,900)	(208,900)
Effect of new shares issued under ESOS	31,557	554,365
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share	90,532,057	90,345,465

28. EARNINGS PER ORDINARY SHARE (cont'd)

(a) Basic (cont'd)

	Group 2008 Sen	Group 2007 Sen
Basic earnings per ordinary share for:		
Profit for the financial year	7.14	9.73

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares:

	Group 2008 RM'000	Group 2007 RM'000
Profit attributable to equity holders of the Company	6,460	8,793

	Group 2008	Group 2007
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary shares	90,532,057	90,345,465
Effect of dilution		
- employee share options	36,684	698,117
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share	90,568,741	91,043,582

	Group 2008 Sen	Group 2007 Sen
Diluted earnings per ordinary share for:		
Profit for the financial year	7.13	9.66

29. DIVIDENDS

	Group and Company			
	2008		2007	
	Gross dividend per share sen	Amount of dividend net of tax RM'000	Gross dividend per share sen	Amount of dividend net of tax RM'000
Final dividend paid in respect of 31 December 2007	3.0	2,716	-	-
Final dividend paid in respect of 31 December 2006	-	-	3.0	2,654
	3.0	2,716	3.0	2,654

29. DIVIDENDS (cont'd)

A final dividend in respect of the financial year ended 31 December 2008 of 3.0 sen per ordinary share, which is tax exempt, amounting to approximately RM2,716,000 has been proposed by the Directors after the balance sheet date for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. This dividend, if approved by shareholders, will be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2009.

30. EMPLOYEE BENEFITS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Wages, salaries and bonuses	13,076	11,753	-	-
Contributions to defined contributions plan	941	896	-	-
Social security contributions	52	50	-	-
Share options granted under ESOS	57	178	57	178
Other benefits	292	337	-	-
	14,418	13,214	57	178

Included in the employee benefits of the Group are Executive Directors' remuneration amounting to RM2,280,000 (2007: RM2,296,000)

31. EMPLOYEE SHARE OPTIONS SCHEME ('ESOS')

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
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.	4 years
Option granted to all employees on 10 January 2007	1,123	Full time employee on the payroll of a company within the Group as of the exercise date.	3 years
Total Share Options	9,039		-

* 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.

31. EMPLOYEE SHARE OPTIONS SCHEME ('ESOS') (cont'd)

Share based payments (cont'd)

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

	Weighted average exercise price 2008	Number of options ('000) 2008	Weighted average exercise price 2007	Number of options ('000) 2007
Outstanding at 1 January	0.96	6,138	1.00	6,135
Granted during the period	-	-	0.50	1,123
Forfeited during the period	0.83	(352)	1.02	(411)
Exercised during the period	0.50	(33)	0.50	(709)
Outstanding at 31 December	0.97	5,753	0.96	6,138
Exercisable at 31 December	1.02	5,345	1.08	3,383

The options outstanding as at 31 December 2008 have an exercise price in the range of RM0.50 to RM1.21 and a weighted average contractual life of four (4) years.

The fair value of share options granted during the financial year was estimated using the Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

	Grant dates	
	10 January 2007	1 December 2005
Fair value of share options	0.14	0.09
Weighted average share price (RM)	0.49	0.46
Exercise price (RM)	0.50	0.50
Expected volatility	40.00%	41.81%
Expected dividend	6.00%	6.61%
Option life (expected weighted average life)	2.67 years	3.75 years
Risk free interest rate (based on Malaysian government bond)	3.50%	3.71%

Employee expenses

	Group and Company	
	2008 RM'000	2007 RM'000
Share options granted under ESOS	57	178
Total expense recognised as share based payments	57	178

NOTES TO THE FINANCIAL STATEMENTS
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(cont'd)

32. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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 Company has controlling related party relationship with its subsidiaries, jointly controlled entity and corporation in which a Director of a subsidiary has interest.

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Subsidiaries				
Management fees charged	-	-	93	91
Dividend receivable	-	-	3,261	13,562
Jointly controlled entity				
Dividend received/receivable	551	358	-	-
Sales of goods	753	731	-	-
Sales of materials	300	178	-	-
Management fees charged	248	258	-	-
Interest expenses	(18)	-	-	-
Joint venture partner - sale of goods	236	407	-	-

The related party transactions described above were carried out on negotiated commercial terms and conditions.

(c) Compensation of key management personnel

The remuneration of Directors and other key management personnel during the financial year was as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Directors				
- fees	290	290	185	185
- remuneration	2,280	2,296	-	-
- share based payments	20	56	20	56
	2,590	2,642	205	241

32. RELATED PARTY DISCLOSURES (cont'd)

(c) Compensation of key management personnel (cont'd)

Executive Directors of the Group and Company and other key management personnel have been granted the following number of options under the Employee Share Option Scheme:

	Group and Company	
	2008	2007
	'000	'000
As at 1 January	1,710	1,400
Granted	-	495
Exercised	-	(185)
As at 31 December	1,710	1,710

The terms and conditions of the share options are detailed in Note 31.

(d) 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 belows:-

		Transaction value for the year ended 31 December		Balance outstanding as at 31 December	
		2008	2007	2008	2007
	Note	RM'000	RM'000	RM'000	RM'000
Ningbo Yong Ao Metal Products Co., Ltd.					
- Royalty	a	-	77	19	19
Firstex Knitting Sdn. Bhd.					
- Rental	b	180	180	24	33
- Sales		3	3	-	-

Note a

The Group pays royalty to Ningbo Yong Ao Metal Products Co. Ltd., a company that owns 16.51% of Furnitech Components (Vietnam) Co. Ltd., a subsidiary.

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.

33. SEGMENT INFORMATION

(a) Reporting format

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 finance costs and interest income, tax assets and liabilities and corporate assets, if any.

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.

(b) Business segments

The Group comprises the following main business segments:

(i) Webbings, 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.

(ii) Rubber strips and fabrics

The manufacture and marketing of rubber strips and narrow fabrics.

(iii) Others

Acting as investment holding company, property holding company and trading and commission agent.

(c) 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.

33. SEGMENT INFORMATION (cont'd)

The following table provides an analysis of the Groups' revenue, results, assets, liabilities and other information by business segment:

	Webbings, yarn and furniture components		Rubber strips and fabrics		Others		Eliminations		Consolidated	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Business segments										
Revenue from external customers	68,724	68,269	24,062	23,106	776	2,441	-	-	93,562	93,816
Inter-segment revenue	4,108	3,917	47	86	3,428	13,896	(7,583)	(17,899)	-	-
Total revenue	72,832	72,186	24,109	23,192	4,204	16,337	(7,583)	(17,899)	93,562	93,816
Segment result	8,933	8,887	130	764	(202)	(520)	-	-	8,861	9,131
Finance costs									(1,698)	(1,617)
Interest income									352	284
Share of profit in jointly controlled entity									272	451
Profit before tax									7,787	8,249
Tax expense									(1,778)	(249)
Profit for the financial year									6,009	8,000
Attributable to:										
Equity holders of the Company									6,460	8,793
Minority interest									(451)	(793)
Profit for the financial year									6,009	8,000
Segment assets	71,937	67,747	25,926	25,089	7,459	7,403	-	-	105,322	100,239
Investment in a jointly controlled entity	746	1,035	-	-	-	-	-	-	746	1,035
	72,683	68,782	25,926	25,089	7,459	7,403	-	-	106,068	101,274
Unallocated assets									308	659
Total assets									106,376	101,933

33. SEGMENT INFORMATION (cont'd)

The following table provides an analysis of the Groups' revenue, results, assets, liabilities and other information by business segment: (cont'd)

	Webbings, yarn and furniture components 2008 RM'000	2007 RM'000	Rubber strips and fabrics 2008 RM'000	2007 RM'000	Others 2008 RM'000	2007 RM'000	Eliminations 2008 RM'000	2007 RM'000	Consolidated 2008 RM'000	2007 RM'000
Segment liabilities	22,801	22,314	6,980	5,843	59	190	801	801	30,641	29,148
Unallocated liabilities									2,078	1,923
Total liabilities									32,719	31,071
Capital expenditure	9,467	1,113	1,525	759	-	-	-	-	10,992	1,872
Depreciation of property, plant and equipment	2,450	2,838	1,471	1,625	1	1	-	-	3,922	4,464
Amortisation of prepaid lease payments for land	56	57	-	-	25	25	-	-	81	82
Non cash income	269	158	390	47	135	23	(62)	-	732	228
Non cash expenses other than depreciation and amortisation	720	393	638	108	78	352	(526)	-	910	853

The following table provides an analysis of the Groups' revenue, segment assets and capital expenditure by geographical segment:

	Malaysia 2008 RM'000	2007 RM'000	Asia Pacific 2008 RM'000	2007 RM'000	Europe 2008 RM'000	2007 RM'000	North America 2008 RM'000	2007 RM'000	Others 2008 RM'000	2007 RM'000	Eliminations 2008 RM'000	2007 RM'000	Consolidated 2008 RM'000	2007 RM'000
Geographical segments														
Revenue from external customer by location of customers	35,930	36,775	32,719	43,044	12,924	15,521	16,063	15,134	3,509	1,241	(7,583)	(17,899)	93,562	93,816
Segments assets by location of assets	63,843	57,380	42,533	44,553	-	-	-	-	-	-	-	-	106,376	101,933
Capital expenditure by location of assets	9,259	1,010	1,733	862	-	-	-	-	-	-	-	-	10,992	1,872

34. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's financial risk management objectives are to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group is exposed mainly to foreign currency risk, interest rate risk, liquidity risk and credit risk. Information on the management of the related exposures is detailed below:

(i) 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 are primarily U.S. Dollars and Vietnamese Dong.

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 Group is also exposed to foreign currency risk in respect of its overseas investments. The Group and the Company do not hedge this exposure with foreign currency borrowings. However, the Board keeps this policy under review.

(ii) Interest rate risk

The Group's and Company's fixed-rate deposits with licensed financial institutions and borrowings are exposed to a risk of changes in their fair values due to changes in market interest rates. The Group's floating or variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not exposed to interest rate risk.

The Group borrows for operations at fixed and variable rates using its hire purchase, term loans and trade financing facilities. There is no formal hedging policy with respect to interest rate exposure.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2008
(cont'd)

34. FINANCIAL INSTRUMENTS (cont'd)

(a) Financial risk management objectives and policies (cont'd)

(ii) Interest rate risk (cont'd)

Effective interest rates and repricing analysis (cont'd)

Group At 31 December 2008	Average effective interest rate %	Total RM'000	Within 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								
Deposits placed with financial institutions (Note 16)								
- RM	3.0 - 3.7	3,590	3,590	-	-	-	-	-
Hire purchase creditors (Note 20)	2.2 - 2.6	(1,105)	(360)	(368)	(321)	(56)	-	-
Trade bills (Note 19)								
- RM	5.2	(249)	(249)	-	-	-	-	-
- USD	6.3 - 7.6	(1,150)	(1,150)	-	-	-	-	-
- VND	10.3 - 21.0	(2,207)	(2,207)	-	-	-	-	-
Term loan (Note 19)								
- RM	6.3	(1,539)	(453)	(483)	(514)	(89)	-	-
Floating rate								
Trade bills (Note 19)								
- USD	7.3 - 7.6	(955)	(955)	-	-	-	-	-
- VND	12.8 - 19.5	(2,545)	(2,545)	-	-	-	-	-
Term loans (Note 19)								
- RM	3.5 - 7.5	(8,035)	(989)	(1,457)	(1,539)	(1,638)	(1,014)	(1,398)
- USD	3.3 - 7.3	(3,502)	(1,979)	(1,367)	(104)	(52)	-	-
At 31 December 2007								
Fixed rate								
Deposits placed with financial instituions (Note 16)								
- RM	3.0 - 3.7	3,503	3,503	-	-	-	-	-
- USD	4.1 - 4.3	2,051	2,051	-	-	-	-	-
Hire purchase creditors (Note 20)	5.5 - 5.9	(334)	(295)	(39)	-	-	-	-
Trade bills (Note 19)								
- RM	5.1	(139)	(139)	-	-	-	-	-
- USD	6.6 - 7.3	(1,522)	(1,522)	-	-	-	-	-
- VND	9.5 - 10.3	(2,477)	(2,477)	-	-	-	-	-
Term loan (Note 19)								
- RM	6.3	(1,965)	(426)	(453)	(483)	(514)	(89)	-
Floating rate								
Trade bills (Note 19)								
- USD	6.9	(538)	(538)	-	-	-	-	-
- VND	9.5 - 9.8	(2,440)	(2,440)	-	-	-	-	-
Term loans (Note 19)								
- RM	8.3	(3,735)	(422)	(317)	(344)	(373)	(406)	(1,873)
- USD	6.8 - 7.4	(5,338)	(1,915)	(1,886)	(1,387)	(100)	(50)	-

34. FINANCIAL INSTRUMENTS (cont'd)

(a) Financial risk management objectives and policies (cont'd)

(ii) Interest rate risk (cont'd)

Effective interest rates and repricing analysis (cont'd)

Company At 31 December 2008	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								
Deposits placed with financial institutions (Note 16)								
- RM	3.1	1,832	1,832	-	-	-	-	-
At 31 December 2007								
Fixed rate								
Deposits placed with financial institutions (Note 16)								
- RM	3.1	1,776	1,776	-	-	-	-	-

(iii) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, the Group maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and to mitigate the effect of fluctuations in cash flows.

(iv) 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.

(b) Fair values

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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2008
(cont'd)

34. FINANCIAL INSTRUMENTS (cont'd)

(b) Fair values (cont'd)

The carrying amounts of the financial instruments of the Group and of the Company as at balance sheet date approximate their fair value due to relatively short term maturity of these financial instruments except as set out below:

		2008		2007	
Group	Note	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Hire purchase creditors	20	(1,105)	(1,103)	(334)	(324)
Term loans	19	(1,539)	(1,681)	(1,965)	(2,082)
		(2,644)	(2,784)	(2,299)	(2,406)

The following methods and assumptions are used to determine the fair value of financial instruments:

(i) The fair values of the hire purchase creditors and term loans are estimated by discounting future cash flows at the current market interest rate available to the Group for similar financial instruments.

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 28 January 2008, the Company announced that Furniweb Manufacturing (Vietnam) Co. Ltd. ("FMV") has been converted into a joint stock company and is now known as Furniweb (Vietnam) Shareholding Company ("FVSC"). The authorised and contributed legal capital of FVSC had also been increased from the existing USD1,300,000 to USD1,500,000.

Furthermore, the Company informed that the proposed Initial Public Offering and the Listing of FVSC on Ho Chi Minh City Securities Trading Centre ("Flotation Scheme") was expected to be completed by the second quarter of 2008 instead of the forth quarter of 2007 as disclosed in the Circular to Shareholders due to the delay in the issuance of the investment certificate by the relevant authority in Vietnam in relation to the conversion of FVSC into a joint stock company.

However, on 19 June 2008, the Board anticipated that FVSC will not be able to complete the Flotation Scheme by the second quarter of 2008 as stated in the announcement dated 28 January 2008 due to bearish equity market condition in Vietnam.

In view of the above, the Board wishes to defer the Flotation Scheme until such time when the economic and equity market conditions in Vietnam have stabilised or improved.

(b) On 18 February 2008, the Company entered into a Capital Assignment Agreement with FVSC for the Company to assign to FVSC its 100% invested capital in PEWA, together with all accrued rights. Subsequently, the Company used the sale proceeds arising from the disposal of PEWA to increase its investment in FVSC by RM3,160,000.

(c) On 7 August 2008, the Company, via its wholly-owned subsidiary, FVSC, increased its investment in FCV from USD1,140,000 to USD1,440,000 through an additional capital contribution of USD300,000. FVSC's ownership in FCV has increased from 60% to 71.56% pursuant to the additional contribution.

36. COMPARATIVE FIGURES

The following comparatives figures have been reclassified to conform with the current year's presentation:

Group **Balance sheet**	**As previously reported** **RM'000**	**Reclassification** **RM'000**	**As restated** **RM'000**
Trade and other receivables	21,168	445	21,613
Dividend receivable	-	104	104
Current tax assets	1,208	(549)	659
Trade and other payables	10,657	3	10,660
Current tax payable	202	(3)	199

LIST OF GROUP PROPERTIES

Address	Owner	Description	Age	Tenure/ Expiry	Existing Use	Land Area (Sq ft.)	Carrying Value as at 31/12/2008 (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 a 1 1/2 storey detached factory/ warehouse building	16	Leasehold (60 years)/ 9 Jul 2041	Industrial	51,905	2,688,793	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 double storey detached factory/ warehouse building	16	Leasehold (60 years)/ 2 Sep 2040	Industrial	56,253	3,027,930	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	Land, a 3 storey office building and a double storey detached factory/ warehouse building (construction in progress)	N/A	Leasehold (99 years)/ 3 Jul 2083	N/A	85,887	8,907,295	*27/9/2005
No. 18, Road 3A, Bien Hoa Industrial Zone II, Long Binh Ward, Bien Hoa City, Dong Nai Province, Vietnam	FVSC	1 1/2 storey factory/ warehouse building with office, single storey canteen and guard house. Double storey detached factory/warehouse building	10	Lease (47 years)/ 15 Jan 2044	Industrial	150,544	3,212,534	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	2 1/2 storey terrace house (intermediate lot)	25	Freehold	Residential	840	95,040	*27/1/2003
Title No. H.S. (M) 33413, P.T. No. 73813, Mukim and District of Klang, Selangor	Texstrip	Land and a double storey office block cum single storey factory building, guard house and car parking sheds	18	Freehold	Industrial	50,444	2,458,331	10/5/2002
Street 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	6	Lease (46 years)/ 28 Feb 2048	Industrial	280,755	2,046,163	Not Available
Street 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	4	Lease (44 years)/ 22 Jan 2048	Industrial	242,436	1,670,352	Not Available

There was no revaluation on the land and properties owned by the Group for the financial year ended 31 December 2008.

ANALYSIS OF SHAREHOLDINGS

Authorised Share Capital	:	RM100,000,000
Issued and Fully Paid-up Capital	:	RM45,371,200
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	1 vote per ordinary share

ANALYSIS OF SHAREHOLDINGS AS AT 8 MAY 2009

Category	No. of holders	%	No. of shares	%
1 – 99	115	8.15	4,424	0.00
100 - 1,000	172	12.19	55,426	0.06
1,001 - 10,000	733	51.95	3,073,830	3.40
10,001 – 100,000	324	22.96	10,486,355	11.58
100,001 to less than 5% of issued shares	65	4.61	42,737,866	47.21
5% and above of issued shares	2	0.14	34,175,599	37.75
Total	1,411	100.00	90,533,500 *	100.00

* Excluding a total of 208,900 shares bought back by Furniweb Industrial Products Berhad and retained as treasury shares as at 8 May 2009.

DIRECTORS' SHAREHOLDINGS AS AT 8 MAY 2009

(Per Register of Directors' Shareholdings)

	Direct		Indirect	
Directors	No. of shares	%	No. of shares	%
Dato' Lim Heen Peok	34,000	0.04	-	-
Cheah Eng Chuan	25,769,599	28.46	-	-
Ong Lock Hoo	7,478,913	8.26	-	-
Lee Sim Hak	5,422,051	5.99	-	-
Dato' Hamzah bin Mohd Salleh	200,000	0.22	-	-
Lim Chee Hoong	40,000	0.04	35,000	0.04
Dato' Haji Johar bin Murat @ Murad	-	-	-	-
Chua Carmey	-	-	-	-

SUBSTANTIAL SHAREHOLDERS AS AT 8 MAY 2009

(Per Register of Substantial Shareholders)

	Direct		Indirect	
Shareholder	No. of shares	%	No. of shares	%
Cheah Eng Chuan	25,769,599	28.46	-	-
Chua Carmen	8.576,000	9.47	-	-
Ong Lock Hoo	7,478,913	8.26	-	-
Lee Sim Hak	5,422,051	5.99	-	-

ANALYSIS OF SHAREHOLDINGS (cont'd)

TOP 30 SHAREHOLDERS AS AT 8 MAY 2009

	Name of Shareholder	No. of Shares Held	Percentage %
1	CHEAH ENG CHUAN	25,599,599	28.28
2	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD *BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR CHUA CARMEN (DEALER 072)*	8,576,000	9.47
3	ONG LOCK HOO	3,914,890	4.32
4	ONG LOCK HOO	3,564,023	3.94
5	LEE SIM HAK	3,124,458	3.45
6	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD *BENEFICIARY : PUBLIC SMALLCAP FUND*	2,857,800	3.16
7	LAI KONG MENG	2,457,000	2.71
8	CHAN KWONG POOI	2,205,100	2.44
9	CHAN KWONG POOI	1,992,690	2.20
10	TAN WAH CHING	1,964,800	2.17
11	LAI KONG MENG	1,871,690	2.07
12	LEE SIM HAK	1,740,718	1.92
13	KENANGA NOMINEES (TEMPATAN) SDN BHD *BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR W ISMAIL BIN W NIK*	1,324,838	1.46
14	TAY KING @ TAY GEE TIONG	1,280,941	1.41
15	LEE KIM LIAN	806,138	0.89
16	AMSEC NOMINEES (TEMPATAN) SDN BHD *BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LEE BOON SIONG*	800,000	0.88
17	PANG YUET FAH	786,938	0.87
18	FIRSTEX KNITTING INDUSTRY SDN BHD	668,442	0.74
19	PANG YUET FAH	562,500	0.62
20	HLG NOMINEE (TEMPATAN) SDN BHD *BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LEE SIM HAK (M)*	556,875	0.62

TOP 30 SHAREHOLDERS AS AT 8 MAY 2009 (cont'd)

	Name of Shareholder	No. of Shares Held	Percentage %
21	CHAN SIEW PUN	517,300	0.57
22	MELACCA EQUITY NOMINEES (TEMPATAN) SDN BHD *BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LEE JAM*	513,700	0.57
23	AIBB NOMINEES (TEMPATAN) SDN BHD *BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR TAN HAN CHONG*	500,000	0.55
24	KINTEX (K.L) SDN BHD	454,800	0.50
25	LIM SHIU HO	450,200	0.50
26	KOH SONG LEANG	405,400	0.45
27	OOI BIN KEONG	401,000	0.44
28	CHAN WENG SOONG	372,250	0.41
29	HLG NOMINEE (TEMPATAN) SDN BHD *BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR CHEAH SEE HAN (CCTS)*	341,500	0.38
30	AIBB NOMINEES (TEMPATAN) SDN BHD *BENEFICIARY : CHUA MA YU*	308,000	0.34
		70,919,590	78.33

NOTES

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FURNIWEB
INDUSTRIAL PRODUCTS BERHAD
(Incorporated in Malaysia) (Company No: 541706-V)

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 Eighth Annual General Meeting of the Company to be held at Nakhoda 2, Level 3, Hotel Armada Petaling Jaya, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Tuesday 23 June 2009 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(ies) is/are to vote as indicated hereunder:

	ORDINARY RESOLUTIONS	***FOR**	***AGAINST**
ORDINARY BUSINESS			
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2008 together with the Directors' and Auditors' Reports thereon		
2.	To approve a final tax exempt dividend of 3.00 sen per share for the financial year ended 31 December 2008		
3.	To approve the payment of Directors' fees of RM290,000 for the financial year ended 31 December 2008		
4.	To re-elect Ong Lock Hoo who retires in accordance with Article 84 of the Company's Articles of Association		
5.	To re-elect Dato' Hamzah Bin Mohd Salleh who retires in accordance with Article 84 of the Company's Articles of Association		
6.	To re-elect Chua Carmey who retires in accordance with Article 91 of the Company's Articles of Association		
7.	To re-appoint Messrs BDO Binder as the Company's auditors for the ensuring year 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		

* 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 ________________ 2009

____
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 Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur 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

Suite 11.1A, Level 11
Menara Weld
76 Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

Furniweb Manufacturing Sdn. Bhd.

Furniweb (Vietnam) Shareholding Company

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.

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