

# FURNIWEB HOLDINGS LIMITED

## 飛霓控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8480



### Third Quarterly Report 2017

# Characteristics of the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors (the “Directors”) of FURNIWEB HOLDINGS LIMITED (the “Company” together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## Financial Highlights

- Based on the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2017 (the “**Period**”), the Group’s revenue for the Period was approximately RM85.8 million, representing an increase of approximately 21.0% as compared to approximately RM70.9 million for the corresponding period in 2016.
- During the Period, the Group’s gross profit was approximately RM23.9 million, representing an increase of approximately 28.5% as compared to approximately RM18.6 million for the corresponding period in 2016.
- During the Period, the Group’s net profit was approximately RM5.2 million, representing a decrease of approximately 8.8% as compared to approximately RM5.7 million for the corresponding period in 2016.
- The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2017.

The Board of Directors (the “**Board**”) of the Company announced the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the nine months ended 30 September 2017, together with the comparative figures for the corresponding period in 2016, as follows:

## Unaudited Condensed Consolidated Statement of Comprehensive Income

FOR THE PERIOD ENDED 30 SEPTEMBER 2017

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017 (Unaudited) RM'000	2016 (Unaudited) RM'000	2017 (Unaudited) RM'000	2016 (Unaudited) RM'000
<b>Revenue</b>	4	27,345	25,072	85,790	70,933
Cost of sales		(21,047)	(17,311)	(61,915)	(52,376)
<b>Gross profit</b>		6,298	7,761	23,875	18,557
Other income, net	5	3,183	263	3,088	187
Distribution costs		(719)	(624)	(2,246)	(1,743)
Administrative expenses		(5,599)	(3,614)	(17,151)	(10,184)
Interest income		19	13	269	257
Finance costs	6	(296)	(279)	(903)	(889)
Share of profit of a joint venture, net of tax		144	93	226	181
<b>Profit before income tax expense</b>		3,030	3,613	7,158	6,366
Income tax expense	8	(432)	(287)	(1,999)	(641)
<b>Profit for the period</b>		2,598	3,326	5,159	5,725
<b>Other comprehensive income, net of tax</b>					
<i>Items that may be reclassified subsequently to profit and loss:</i>					
Exchange differences on translation of foreign operations		(835)	(27)	(1,623)	(964)
Share of other comprehensive income of a joint venture		(15)	(4)	(52)	(36)
Other comprehensive income for the period		(850)	(31)	(1,675)	(1,000)
<b>Total comprehensive income for the period</b>		1,748	3,295	3,484	4,725

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017 (Unaudited) RM'000	2016 (Unaudited) RM'000	2017 (Unaudited) RM'000	2016 (Unaudited) RM'000
<b>Profit/(loss) attributable to:</b>					
Owners of the Company		2,681	3,390	5,389	5,857
Non-controlling interest		(83)	(64)	(230)	(132)
		<b>2,598</b>	<b>3,326</b>	<b>5,159</b>	<b>5,725</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		1,628	3,360	3,507	4,863
Non-controlling interest		120	(65)	(23)	(138)
		<b>1,748</b>	<b>3,295</b>	<b>3,484</b>	<b>4,725</b>
<b>Earnings per ordinary share attributable to owners of the Company (cents):</b>					
Basic and diluted	9	0.71	0.90	1.43	1.55

# Unaudited Condensed Consolidated Statement of Changes in Equity

FOR THE PERIOD ENDED 30 SEPTEMBER 2017

	Share capital RM'000	Capital reserve RM'000	Merger reserve RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	Equity attributable to owners of the Company RM'000	Non-controlling interest RM'000	Total RM'000
<b>Balance at 1 January 2016</b>	-	22,841	-	(1,212)	49,470	71,099	184	71,283
Profit for the period	-	-	-	-	5,857	5,857	(132)	5,725
Exchange differences on translation of foreign operations	-	-	-	(958)	-	(958)	(6)	(964)
Share of other comprehensive income of a joint venture, net of tax	-	-	-	(36)	-	(36)	-	(36)
<b>Total comprehensive income</b>	-	-	-	(994)	5,857	4,863	(138)	4,725
Transaction with owners								
Dividends declared	-	-	-	-	(3,189)	(3,189)	-	(3,189)
<b>Total transaction with owners</b>	-	-	-	-	(3,189)	(3,189)	-	(3,189)
<b>Balance at 30 September 2016 (unaudited)</b>	-	22,841	-	(2,206)	52,138	72,773	46	72,819
<b>Balance at 1 January 2017</b>	-	30,158	-	47	45,789	75,994	23	76,017
Profit for the period	-	-	-	-	5,389	5,389	(230)	5,159
Exchange differences on translation of foreign operations	-	-	-	(1,830)	-	(1,830)	207	(1,623)
Share of other comprehensive income of a joint venture, net of tax	-	-	-	(52)	-	(52)	-	(52)
<b>Total comprehensive income</b>	-	-	-	(1,882)	5,389	3,507	(23)	3,484
Transaction with owners								
Issue of ordinary share for re-organisation	1,081	(43,290)	42,209	-	-	-	-	-
Dividends declared	-	-	-	-	(13,463)	(13,463)	-	(13,463)
Capital contribution by ultimate holding to a subsidiary	-	13,132	-	-	(13,132)	-	-	-
<b>Total transaction with owners</b>	1,081	(30,158)	42,209	-	(26,595)	(13,463)	-	(13,463)
<b>Balance at 30 September 2017 (unaudited)</b>	1,081	-	42,209	(1,835)	24,583	66,038	-	66,038

- (a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 3 March 2017 with an authorised share capital of HK\$100,000 divided into 1,000,000 ordinary shares (the "Shares") with a par value of HK\$0.1 per each. On 3 March 2017, one nil-paid Share was allotted and issued to the initial subscriber which was transferred to PRG Holdings Berhad ("PRG Holdings") on the same day and 999,999 Shares were allotted and issued, nil paid to PRG Holdings. Therefore, issued share capital of the Company is shown as nil as at 1 January 2016 and 2017.

# Unaudited Condensed Consolidated Statement of Changes in Equity

FOR THE PERIOD ENDED 30 SEPTEMBER 2017

- (b) On 21 September 2017, the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of 999,000,000 new Shares.
  
- (c) On 21 September 2017, the Company acquired the entire issued share capital in FIPB International Limited ("**FIPB**") in consideration of and in exchange for which the Company (i) allotted and issued, credited as fully paid, an aggregate of 19,000,000 new Shares to PRG Holdings; and (ii) credited as fully paid at par the 1,000,000 Shares issued as nil paid which was registered in the name of PRG Holdings.
  
- (d) Capital reserve represented aggregate amount of issued share capital of the subsidiaries held by PRG Holdings. The capital reserve was transferred to merger reserve upon completion of internal reorganisation explained in note (c) above.

# Notes to the Financial Information (Unaudited)

## 1. CORPORATE INFORMATION AND REORGANISATION

### (a) General information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 3 March 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office and its headquarters are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Lot 1883, Jalan KPB9, Kg. Bharu Balakong, 43300 Seri Kembangan, Selangor, Malaysia respectively.

The ultimate holding company of the Company is PRG Holdings Berhad ("**PRG Holdings**") which is a public limited liability company incorporated in Malaysia and the shares of which are listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sale of elastic textile and webbings.

The Shares of the Company are listed on GEM on 16 October 2017 (the "**Listing**").

### (b) Reorganisation and basis of presentation

Pursuant to the reorganisation of the Company (the "**Reorganisation**") in connection with the listing of shares of the Company on the GEM by way of the public offer and the placing (the "**Share Offer**"), the Company has become the holding company of its subsidiaries now comprising the Group since 21 September 2017. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" to the prospectus of the Company dated 29 September 2017 (the "**Prospectus**").

Accordingly, the unaudited condensed consolidated statements of comprehensive income and the unaudited condensed consolidated statements of changes in equity are prepared as if the current group structure had been in existence throughout the reporting period.

All companies now comprising the Group have adopted 31 December as their financial year end date.

No audited financial statements have been prepared for the Company and FIPB since their respective dates of incorporation as there are no statutory audit requirements under relevant rules and regulations in its respective jurisdiction of incorporation and they have not been involved in any business transaction other than the Reorganisation.



# Notes to the Financial Information (Unaudited)

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed financial statements are prepared in accordance with International Financial Reporting Standards (the "IFRSs"), International Accounting Standards ("IAS"), amendments and interpretations (hereinafter collectively referred to as the "IFRS") issued by International Accounting Standards Board ("IASB") and the applicable disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost basis.

The unaudited condensed consolidated financial statements are presented in Malaysian Ringgit ("RM"), which is the functional currency of the Company's major subsidiaries and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited condensed consolidated financial statements of the Group for the period were reviewed by the audit committee of the Company and were approved for issue by the Board of Directors ("Board") on 9 November 2017.

### New or revised IFRSs that have been issued but are not yet effective

The following new revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

IFRS 9 (2014)	Financial Instruments <sup>1</sup>
IFRS 15	Revenue from Contracts with Customers <sup>1</sup>
IFRS 16	Leases <sup>2</sup>
IFRS 17	Insurance Contracts <sup>4</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle <sup>1</sup>
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS4 Insurance Contracts <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers <sup>1</sup>
Amendments to IAS 40	Transfers of Investment Property <sup>2</sup>
IFRIC 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
IFRIC 23	Uncertainty over Income Tax Treatments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> No mandatory effective date yet determined but is available for early adoption.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

The Directors consider no material impact on the adoptions of these new or revised standards on the Group's results and financial position.

# Notes to the Financial Information (Unaudited)

## 3. REVENUE AND SEGMENT INFORMATION

### (a) Business segment

The Company's subsidiaries are principally engaged in the manufacturing and sale of elastic textile and webbings. The Group determines its operating segments based on the reports reviewed by chief operating decision-maker ("CODM").

The CODM assesses performance of the operating segments on the basis of gross profit. Inter segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements.

There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources and evaluate the performance of the operating segments.

An analysis of the Group's revenue and result by operating segment.

#### Period ended 30 September 2017 (unaudited)

	Elastic Textile RM'000	Webbing RM'000	Other products RM'000	Elimination RM'000	Total RM'000
<b>Revenue</b>					
Revenue from external customer	46,172	28,504	11,114	–	85,790
Inter-segment revenue	252	97	80	(429)	–
<b>Total revenue</b>	<b>46,424</b>	<b>28,601</b>	<b>11,194</b>	<b>(429)</b>	<b>85,790</b>
Segment cost of sales	(32,960)	(20,603)	(9,249)	897	(61,915)
Gross profit	13,464	7,998	1,945	468	23,875
Other income, net					3,088
Distribution costs					(2,246)
Administrative expenses					(17,151)
Interest income					269
Finance costs					(903)
Share of profit of a joint venture, net of tax					226
Profit before income tax expense					7,158
Income tax expense					(1,999)
Profit for the period					5,159
Other segment information: Depreciation included in cost of sales	1,519	275	336	–	2,130

Note: Included in segment cost of sales was intra-group rental expenses of RM468,000 and the corresponding rental income was eliminated in other income, net in the combined statements of profit or loss and other comprehensive income.

# Notes to the Financial Information (Unaudited)

## Period ended 30 September 2016 (unaudited)

	Elastic Textile RM'000	Webbing RM'000	Other products RM'000	Elimination RM'000	Total RM'000
<b>Revenue</b>					
Revenue from external customer	37,692	23,685	9,556	–	70,933
Inter-segment revenue	375	76	168	(619)	–
<b>Total revenue</b>	<b>38,067</b>	<b>23,761</b>	<b>9,724</b>	<b>(619)</b>	<b>70,933</b>
Segment cost of sales	(27,008)	(18,010)	(8,445)	1,087	(52,376)
Gross profit	11,059	5,751	1,279	468	18,557
Other income, net					187
Distribution costs					(1,743)
Administrative expenses					(10,184)
Interest income					257
Finance costs					(889)
Share of profit of a joint venture, net of tax					181
Profit before income tax expense					6,366
Income tax expense					(641)
Profit for the period					5,725
Other segment information:					
Depreciation included in cost of sales	1,497	539	363	–	2,399

Note: Included in segment cost of sales was intra-group rental expenses of RM468,000 and the corresponding rental income was eliminated in other income, net in the combined statements of profit or loss and other comprehensive income.

# Notes to the Financial Information (Unaudited)

## (b) Geographical information

The Company is domiciled in the Cayman Islands while the Group's manufacturing facilities and sales offices are based in Malaysia and Vietnam.

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location of customers from which the sales transactions originated.

	Three months ended 30 September		Nine months ended 30 September	
	2017 (Unaudited) RM'000	2016 (Unaudited) RM'000	2017 (Unaudited) RM'000	2016 (Unaudited) RM'000
	<b>Revenue from external customers</b>			
Malaysia	2,207	2,333	6,732	7,106
Vietnam	11,034	9,441	33,624	25,892
Asia Pacific (excluding Malaysia and Vietnam)	6,417	7,184	22,144	18,581
Europe	3,108	3,308	9,634	10,191
North America	4,378	2,607	12,930	8,544
Others	201	199	726	619
<b>Total</b>	<b>27,345</b>	<b>25,072</b>	<b>85,790</b>	<b>70,933</b>

## (c) Information about major customers

During the three months and nine months ended 30 September 2016, the Group generated revenue from transactions with a single external customer from elastic textile segment of RM3,079,000 and RM7,522,000 respectively, which amount to 10% or above of the total revenue of the Group.

During the three months and nine months ended 30 September 2017, there is no customer which generated 10% or above of the total revenue of the Group.

## 4. REVENUE

Revenue represents the net invoiced value of goods sold.

# Notes to the Financial Information (Unaudited)

## 5. OTHER INCOME, NET

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Gain/(loss) on foreign exchange, net				
— realised	(99)	(105)	(388)	(432)
— unrealised	(112)	173	(250)	177
Commission income	25	21	64	62
Sales of scrap	23	62	164	153
Gain on disposal of property, plant and equipment	—	69	9	95
Gain on disposal of subsidiary	3,210	—	3,210	—
Others	136	43	279	132
<b>Total</b>	<b>3,183</b>	<b>263</b>	<b>3,088</b>	<b>187</b>

## 6. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Interest on bank overdrafts	2	4	7	14
Interest on bank borrowings	266	232	804	740
Interest on amount due to the ultimate holding company	20	36	64	117
Interest on obligations under finance leases	8	7	28	18
<b>Total</b>	<b>296</b>	<b>279</b>	<b>903</b>	<b>889</b>

## 7. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. During the nine months ended 30 September 2017 and prior to the Listing, the directors of certain subsidiaries had declared and paid dividends amounting to RM13.5 million in aggregate.

The Directors do not recommend payment of any dividend for the nine months ended 30 September 2017.

# Notes to the Financial Information (Unaudited)

## 8. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2017 (Unaudited) RM'000	2016 (Unaudited) RM'000	2017 (Unaudited) RM'000	2016 (Unaudited) RM'000
Current tax				
— provision for the year	456	689	2,122	1,043
— over provision in prior years	(24)	(136)	(24)	(136)
	432	553	2,098	907
Deferred tax				
— current year	—	(155)	(44)	(155)
— over provision in prior years	—	(111)	(55)	(111)
	—	(266)	(99)	(266)
<b>Income tax expense</b>	<b>432</b>	<b>287</b>	<b>1,999</b>	<b>641</b>

The Malaysian income tax is calculated at the statutory tax rate of 24% of the estimated taxable profits for the nine months ended 30 September 2016 and 2017 whereas the Vietnamese corporate income tax during the period is made at the preferential tax rate of 15% on the assessable profits.

The statutory rate of Hong Kong profits tax was 16.5% on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for nine months ended 30 September 2017 and 2016.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

# Notes to the Financial Information (Unaudited)

## 9. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the respective periods.

The calculation on basic and diluted earnings per share is based on the following information:

	Three months ended 30 September		Nine months ended 30 September	
	2017 (Unaudited) RM'000	2016 (Unaudited) RM'000	2017 (Unaudited) RM'000	2016 (Unaudited) RM'000
<b>Earnings</b>				
Profit for the period attributable to owners of the Company	2,681	3,390	5,389	5,857
<b>Number of shares</b>				
Weighted average number of ordinary shares in issue during the period ('000)	378,000,000	378,000,000	378,000,000	378,000,000

The calculation of the weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share for the period has been determined based on the assumption that the Capitalisation Issue as described in the Prospectus that are deemed to have become effective on 1 January 2016.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the periods.

## 10. SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 September 2017:

- (a) The Company successfully listed its shares on GEM on 16 October 2017.
- (b) The net proceeds received by the Company from the Share Offer, after deducting the underwriting fees and other expenses borne by the Company, are estimated to be approximately RM19.2 million (equivalent to HK\$35.6 million).

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group is a long established elastic textile and webbing manufacturer in Malaysia and Vietnam. The products are manufactured and sold in Malaysia and Vietnam, and also exported to over 30 countries including the United States, the United Kingdom, India, Indonesia, Australia, Sri Lanka and Pakistan.

The business model of the Group has remained unchanged and the revenue and cost structure has remained stable during the nine months ended 30 September 2017 (the “**Period**”). Although the elastic textile and webbing market remains highly competitive, the Group will implement various strategies as stated in the Prospectus with the intention to strengthen its market position as well as to increase its market share. The Group will closely monitor the market situations and make necessary adjustments to its strategies and operations.

### (i) Elastic textile

For the nine months ended 30 September 2017, the revenue of elastic textile increased by RM8.5 million or 22.5% as compared to corresponding period of 2016. The increase was mainly due to increased sales volume of covered elastic yarn. For narrow elastic fabric, despite the marginal decrease in sales volume, the revenue increased by 20.1% as compared to the corresponding period of 2016 because products with higher price were sold.

### (ii) Webbing

Revenue from furniture webbing and seat belt webbing increased by RM4.8 million or 20.3% as compared to the corresponding period of 2016 in aggregate. This was mainly attributable to the increased sales volume as well as more higher specification products sold.

### (iii) Other products

During the Period, the revenue of other products increased by RM1.6 million or 16.3%, mainly contributed by the increase in sales volume of rubber tapes products. This was mainly driven by the sales to a major customer in the United States who produced higher priced rubber tapes for medical disposable products. The revenue of the metal components for furniture, dropped by 17.3% as compared to corresponding period in 2016. As disclosed in the Prospectus, Furnitech Components (Vietnam) Co., Ltd (“**FCV (VN)**”), a then subsidiary of the Company, which sells metal components for furniture, has become an associate of the Company since 14 September 2017 in which the Company has an indirect interest of 45.06%.



# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the nine months ended 30 September 2017 amounted to RM85.8 million, representing an increase of 21.0% as compared with RM70.9 million for the corresponding period of last year. Majority of the Group's revenue was attributable to elastic textile and webbing products for both periods, contributed approximately 53.8% and 33.2% respectively during nine months ended 30 September 2017 and 53.1% and 33.4% respectively during the nine months ended 30 September 2016.

During the nine months ended 30 September 2017, domestic sales and export sales accounted for around 47.0% and 53.0% (2016: 46.5% and 53.5%) of the revenue, respectively. Asia Pacific region (excluding Malaysia and Vietnam), Europe and North America continue to be the major export countries of the Group during both periods.

The increase in revenue was mainly due to increased sales volume of elastic textile and webbing products as well as sales of high specification products with higher selling price.

### Cost of Sales

For the nine months ended 30 September 2017, the cost of sales of the Group amounted to RM61.9 million (2016: RM52.4 million), representing an increase of RM9.5 million or 18.1% compared to the corresponding period in 2016. The increase of the cost of sales was in line with the increase in revenue.

### Gross Profit and Gross Profit Margin

For the nine months ended 30 September 2017, the Group achieved gross profit of approximately RM23.9 million (2016: RM18.6 million), representing an increase of RM5.3 million or 28.5% as compared to the corresponding period in 2016.

The increase in the gross profit of the Group was mainly due to selling of higher specification products and change in sales mix. Furthermore, sales to a customer in the United States who procured higher priced rubber tapes for medical disposable products increased during the current period which also contributed to the increase in gross profit.

The gross profit margin of the Group also improved from 26.2% during the nine months ended 30 September 2016 to 27.8%, resulting from the increase in sales volume leading to less fixed overhead shared and sales of higher priced products.

### Other income, net

During the nine months ended 30 September 2017, the Group disposed part of its interest in FCV (VN) on 14 September 2017 and recognised a gain on disposal of RM3.2 million. Thereafter, FCV (VN) became an associate of the Company and is accounted for by equity accounting.

# Management Discussion and Analysis

## Distribution Expenses

For the nine months ended 30 September 2017, the distribution expenses of the Group amounted to RM2.2 million (2016: RM1.7 million), representing an increase of 29.4% or RM0.5 million compared to the corresponding period in 2016. The increase was mainly due to the increase in transportation expenses and customs declaration charges during the period which was in line with the increase in revenue.

## Administrative Expenses

The administrative expenses mainly included salaries for management and administrative staff, depreciation of property, plant and equipment not directly used for production, and other miscellaneous expenses.

For the nine months ended 30 September 2017, the administrative expenses of the Group amounted to RM17.2 million (2016: RM10.2 million), representing an increase of 68.6% or RM7.0 million compared to the corresponding period in 2016. The increase was mainly due to the recognition of the listing expenses of approximately RM5.8 million during the nine months ended 30 September 2017. Excluding the listing expenses, the increase in administrative expenses was mainly due to a general increase in salary and additional headcount in certain departments.

## Profit for the period

For the nine months ended 30 September 2017, the profit for the period amounted to RM5.2 million (2016: RM5.7 million), representing a decrease of approximately RM0.5 million or 8.8% as compared to the corresponding period in 2016. Should the listing expenses of RM5.8 million and gain on disposal of part of the Group's interest in FCV(VN) of RM3.2 million be excluded, the Group would record an adjusted profit of RM7.8 million, representing an increase of RM2.1 million or 36.8% as compared to last year same period.

## Dividend

The Directors do not recommend the payment of any interim dividend for the Period.

## FUTURE PROSPECTS AND OUTLOOK

The Group will continue to expand the application of the products to different application such as narrow elastic fabric to sportswear, as well as to explore new export markets and to expand existing customer base. In this regard, the Group has planned to expand the production capacity, enhance capability of the product modification department, and improve quality control systems and information technology systems by utilising the listing proceeds from the Listing according to the manner set out in the section headed "Statement of Business Objectives and Use of Proceeds" in the Prospectus.

The recent crude oil price surge may have implication to some of the crude oil-based raw materials, such as polyester high tenacity filament yarn, polypropylene multifilament yarn, synthetic rubber and others. The increase in raw material prices will have an impact on the gross profit margin, if the Group is unable to pass on to its customers. The Group will closely monitor the raw material prices on a regular basis and adjust the procurement plan and pricing strategy, if necessary.

## Other Information

### COMMERCIAL ACTIVITIES IN SANCTIONED COUNTRIES

During the Period, the Group did not enter into any transactions in countries or territories which are targeted with certain economic sanctions under the laws of the United States, the European Union, the United Nations and Australia (the “**Sanctioned Countries**”) or with certain person(s) and entity(ies) listed on the Office of Foreign Assets Control of the United States Department of Treasury’s sanctions lists including the Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the United States, the European Union, the United Nations or Australia (the “**Sanctioned Persons**”) that the Group believes would put the Group or its investors at risk of violating or becoming the target of sanction-related laws and regulations in the United States, the European Union, the United Nations and Australia (the “**International Sanctions**”).

To continuously monitor and evaluate the Group’s business and take measures to comply with the Group’s continuing undertakings to The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”), as disclosed in the Prospectus, and to protect the interests of the Group and the Shareholders of the Company, the Group has undertaken the following measures and efforts to monitor and evaluate its business activities in connection with possible International Sanctions risks as at the date of this report:

- (i) the Group has set up a risk management committee, comprising two independent non-executive directors and one executive director, whose responsibilities include, among others, overseeing the Group’s management activities in managing key risks, ensuring the risk management process is functioning effectively and reviewing risk management strategies, policies, risk appetite and risk tolerance;
- (ii) the Group will evaluate sanctions risks prior to determining whether the Group should embark on any business opportunities in a Sanctioned Country or with Sanctioned Persons;
- (iii) as and when the risk management committee considers necessary, the Group will retain an external International Sanctions legal adviser with necessary expertise and experience in International Sanctions matters for recommendations and advice. Since the date of Listing and up to the date of this report, the risk management committee did not identify any exposure to sanctions risks by the Group which it considered necessary for the Group to retain an external International Sanctions legal adviser.

The Directors are of the view that such risk management measures and efforts provided a reasonably adequate and effective framework to assist the Group in identifying and monitoring any material International Sanctions risk so as to protect the interests of the Company and its shareholders as a whole.

## Other Information

### CORPORATE GOVERNANCE PRACTICES

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company's corporate governance practices are based on the principles of good corporate governance as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the "**CG Code**") and in relation to, among others, the Directors, Chairman and Chief Executive Officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with the shareholders of the Company.

The shares of the Company were successfully listed on GEM on 16 October 2017 (the "**Listing Date**"), which is after 30 September 2017. To the best knowledge of the Board, since the Listing Date and up to the date of this report, the Company had complied with the code provisions in the CG Code during the Period.

### DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACT OF SIGNIFICANCE

During the nine months ended 30 September 2017, none of the Directors had a material interests, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

As at 30 September 2017, no contract of significance had been entered into between the Company, or any of its subsidiaries and the controlling shareholder or any of its subsidiaries.

### COMPLIANCE ADVISER'S INTERESTS

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Shenwan Hongyuan Capital (H.K.) Limited (the "**Compliance Adviser**") as its compliance adviser. The Compliance Adviser, being the sole sponsor of the Company to the Listing, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules.

As at 30 September 2017, as notified by the Compliance Adviser, except for the compliance adviser's agreement entered into between the Company and the Compliance Adviser on 25 September 2017 where the Compliance Adviser received and will receive fees for acting as the compliance adviser of the Company, neither the Compliance Adviser nor any of its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## Other Information

### DEED OF NON-COMPETITION

As disclosed in the section headed “Relationship With Our Controlling Shareholder — Competition — Undertakings given by our Controlling Shareholder” in the Prospectus, PRG Holdings as the controlling shareholder of the Company (“**Controlling Shareholder**”) has entered into a Deed of Non-Competition, dated 28 September 2017, which contains certain non-compete undertakings (the “**Non-Compete Undertakings**”) in favour of the Company in favour of the Company (for itself and as trustee for each member of the Group).

Pursuant to these Non-Compete Undertakings, the Controlling Shareholder has, among other matters, irrevocably undertaken to the Company that at any time during the Relevant Period\*, the Controlling Shareholder shall, and shall procure that its close associates and/or companies controlled by it (other than the Group) shall not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete with the businesses of the Group (including but not limited to the manufacturing of elastic textile, webbing and other products including rubber tape and metal components for furniture) in Malaysia, Vietnam and/or any other country or jurisdiction in or to which the Group sells its products and/or in which any member of the Group carries out the abovementioned business from time to time.

\* *the “Relevant Period” means the period commencing from the Listing Date and shall expire on the earlier of the dates below:*

- (a) *the date on which the Controlling Shareholder and its close associates (whether individually or taken as a whole) cease to own 30% of the then issued share capital of the Company (whether directly or indirectly) or cease to be the controlling shareholder of the Company for the purpose of the GEM Listing Rules; and*
- (b) *the date on which the shares of the Company cease to be listed on GEM or (if applicable) other stock exchange.*

The Controlling Shareholder confirmed to the Company that it has complied with the Deed of Non-Competition for the Period.

### COMPETING INTERESTS OF DIRECTORS, CONTROLLING SHAREHOLDER AND THEIR RESPECTIVE CLOSE ASSOCIATES

None of the Directors or the Controlling Shareholder or any of their respective close associates (as defined under the GEM Listing Rules) had any business or interests in any business, apart from the business operated by members of the Group, which competes or is likely to compete, directly or indirectly, with the business of the Group and/or has or is likely to have other conflict of interest with the Group during the nine months ended 30 September 2017 and up to the date of this report.

## Other Information

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities since the Listing Date and up to the date of this report.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND/OR ITS ASSOCIATED CORPORATIONS

As at 30 September 2017, the shares of the Company were not listed on GEM. The respective Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO"), Section 352 of the SFO and Rule 5.46 to 5.67 of the GEM Listing Rules were not applicable.

As at 9 November 2017, being the latest practicable date prior to the printing of this report for ascertaining certain information contained in this report (the "**Latest Practicable Date**"), the interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the SFO) held by of the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or Chief Executive is taken or deemed to have under such provision of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows

#### (1) Long positions in the ordinary shares in the associated corporation of the Company

Name of Director	Name of the associated corporation	Capacity/ Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Dato' Lim Heen Peok	PRG Holdings (Note 2)	Beneficial owner	108,800 shares of RM0.25 each (L)	0.03%
Mr. Cheah Eng Chuan	PRG Holdings (Note 2)	Beneficial owner	15,742,716 shares of RM0.25 each (L)	5.21%
Mr. Tan Chuan Dyi	PRG Holdings (Note 2)	Beneficial owner	62,000 shares of RM0.25 each (L)	0.02%
Dato' Lua Choon Hann	PRG Holdings (Note 2)	Beneficial owner	52,992,800 shares of RM0.25 each (L)	17.57%

Notes:

1. The letter "L" denotes the long position of the Director in the shares in PRG Holdings.
2. PRG Holdings is the holding company and the associated corporation of the Company within the meaning under Part XV of the SFO.

## Other Information

### (2) Long positions (in respect of equity derivatives) in underlying shares in the associated corporation of the Company Warrants (Note 3)

Name of Director	Name of the associated corporation	Capacity/ Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Dato' Lim Heen Peok	PRG Holdings (Note 2)	Beneficial owner	40,800 shares of RM0.25 each (L)	0.01%
Dato' Lua Choon Hann	PRG Holdings (Note 2)	Beneficial owner	20,953,100 shares of RM0.25 each (L)	6.94%
Mr. Cheah Eng Chuan	PRG Holdings (Note 2)	Beneficial owner	5,603,518 shares of RM0.25 each (L)	1.85%
Dato' Dr. Hou Kok Chung	PRG Holdings (Note 2)	Beneficial owner	510,700 shares of RM0.25 each (L)	0.16%

Notes:

1. The letter "L" denotes the long position of the Director in the underlying shares in PRG Holdings.
2. PRG Holdings is the holding company and the associated corporation of the Company within the meaning under Part XV of the SFO.
3. The warrants were issued by PRG Holdings pursuant to a deed poll dated 2 June 2014 which entitle the registered holders thereof to subscribe for new ordinary shares in PRG Holdings at the adjusted exercise price of RM0.375 each (subject to adjustment pursuant to the terms of the deed poll) within a period of five years commencing on the date of issue of the warrants (that is, 7 July 2014).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had, or was deemed to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Model Code.

## Other Information

### Substantial Shareholders' Interests and Other Persons' Interests and/or Short Positions in the Shares and Underlying Shares of the Company

As at 30 September 2017, the shares of the Company were not listed on GEM. So far as the Directors are aware, as at the Latest Practicable Date, the following persons (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

#### *Interests and short positions in the Company*

Name of Shareholder	Capacity/Nature of interest	Number and class of securities	Approximate percentage of shareholding (Note 1)
PRG Holdings (Note 2&3)	Beneficial owner	378,000,000 Shares (L)	75.0%

Notes:

- (1) The letter "L" denotes the person's long position (as defined under Part XV of the SFO) in the Shares.
- (2) PRG Holdings is a company incorporated in Malaysia and whose shares are listed on the Main Market of Bursa Malaysia Securities Berhad.
- (3) Dato' Lua Choon Hann, the executive Director, is the group managing director of PRG Holdings.

## REVIEW OF FINANCIAL STATEMENTS

The Company established an audit committee on 20 September 2017 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to assist the Board in providing an oversight of the financial reporting and disclosure processes, internal control and risk management systems of the Company, and to oversee the audit process.

The audit committee currently comprises of three independent non-executive Directors, namely, Mr. Ho Ming Hon, Dato' Dr. Hou Kok Chung and Dato' Sri Wee Jeck Seng. Mr. Ho Ming Hon is the chairman of the audit committee.



## Other Information

The audit committee had reviewed the unaudited condensed consolidated results of the Group for the period and discussed with the management of the Company the accounting principles and practices adopted by the Group as well as internal controls and other financial reporting matters. The audit committee is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

By order of the Board

**FURNIWEB HOLDINGS LIMITED**

**Dato' Lim Heen Peok**

*Chairman*

Hong Kong, 9 November 2017

*As at the date of this report, the chairman and non-executive director is Dato' Lim Heen Peok, the executive Directors are Mr. Cheah Eng Chuan, Mr. Tan Chuan Dyi and Dato' Lua Choon Hann, and the independent non-executive Directors are Mr. Ho Ming Hon, Dato' Sri Wee Jeck Seng and Dato' Dr. Hou Kok Chung.*

*This report will remain on the "Latest Company Announcements" page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting. This report will also be posted on the Company's website at <http://www.furniweb.com.my>.*