

FURNIWEB HOLDINGS LIMITED

飛靄控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8480



2018

FIRST QUARTERLY REPORT

Characteristics of the GEM of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized, 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.

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.

Unaudited Condensed Consolidated Statement of Comprehensive Income

FOR THE THREE MONTHS ENDED 31 MARCH 2018

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 three months ended 31 March 2018, together with the comparative figures for the corresponding period in 2017, as follows:

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Notes	Three months ended 31 March	
		2018 (Unaudited) RM'000	2017 (Audited) RM'000
Revenue	4	20,960	27,935
Cost of sales		(15,837)	(19,630)
Gross profit		5,123	8,305
Other (expenses)/income, net	5	(95)	90
Distribution costs		(586)	(665)
Administrative expenses		(3,694)	(5,730)
Interest income		136	128
Finance costs	6	(208)	(284)
Share of loss of an associate, net of tax		(320)	–
Share of profit of a joint venture, net of tax		19	54
Profit before income tax expense	7	375	1,898
Income tax expense	8	(139)	(780)
Profit for the period		236	1,118
Other comprehensive income, net of tax			
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Exchange differences on translation of foreign operations		(2,459)	59
Share of other comprehensive income of a joint venture		(51)	3
Share of other comprehensive income of an associate		(72)	–
Other comprehensive income for the period, net of tax		(2,582)	62
Total comprehensive income for the period		(2,346)	1,180

Unaudited Condensed Consolidated Statement of Comprehensive Income

FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Notes	Three months ended 31 March	
		2018 (Unaudited) RM'000	2017 (Audited) RM'000
Profit/(loss) attributable to:			
Owners of the Company		236	1,178
Non-controlling interests		–	(60)
		236	1,118
Total comprehensive income attributable to:			
Owners of the Company		(2,346)	1,240
Non-controlling interests		–	(60)
		(2,346)	1,180
Earnings per ordinary share attributable to owners of the Company (cents):			
Basic and diluted	10	0.05	0.31

Unaudited Condensed Consolidated Statement of Changes in Equity

FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Share capital RM'000	Share premium 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 interests RM'000	Total RM'000
Balance at 1 January 2017 (audited)	-	-	30,158	-	47	45,789	75,994	23	76,017
Profit for the period	-	-	-	-	-	1,178	1,178	(60)	1,118
Exchange differences on translation of foreign operations	-	-	-	-	59	-	59	-	59
Share of other comprehensive income of a joint venture, net of tax	-	-	-	-	3	-	3	-	3
Total comprehensive income	-	-	-	-	62	1,178	1,240	(60)	1,180
Transaction with owners									
Issuance of nil paid shares	-	-	-	-	-	-	-	-	-
Dividends paid/declared	-	-	-	-	-	(8,463)	(8,463)	-	(8,463)
Total transaction with owners	-	-	-	-	-	(8,463)	(8,463)	-	(8,463)
Balance at 31 March 2017 (audited)	-	-	30,158	-	109	38,504	68,771	(37)	68,734
Balance at 1 January 2018 (audited)	27,285	3,609	-	42,208	(3,496)	28,000	97,606	-	97,606
Profit for the period	-	-	-	-	-	236	236	-	236
Exchange differences on translation of foreign operations	-	-	-	-	(2,459)	-	(2,459)	-	(2,459)
Share of other comprehensive income of a joint venture, net of tax	-	-	-	-	(51)	-	(51)	-	(51)
Share of other comprehensive income of an associate, net of tax	-	-	-	-	(72)	-	(72)	-	(72)
Total comprehensive income	-	-	-	-	(2,582)	236	(2,346)	-	(2,346)
Balance at 31 March 2018 (unaudited)	27,285	3,609	-	42,208	(6,078)	28,236	95,260	-	95,260

- (a) The Company was incorporated in the Cayman Islands on 3 March 2017 with an authorised share capital of HK\$100,000 divided into 1,000,000 ordinary shares with a par value of HK\$0.1 per share. On 3 March 2017, one nil-paid share was allotted to the initial subscriber which was transferred to PRG Holdings Berhad ("**PRG Holdings**") on the same date and 999,999 shares were allotted and issued, nil paid to PRG Holdings.
- (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.

Unaudited Condensed Consolidated Statement of Changes in Equity

FOR THE THREE MONTHS ENDED 31 MARCH 2018

- (c) On 21 September 2017, the Company acquired the entire issued share capital in FIPB International Limited 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) 126,000,000 new ordinary shares ("**Offer Shares**") of par value of HK\$0.1 each were issued, by way of public offer and placing, at a price of HK\$0.5 per share ("**Share Offer**").

- (e) Pursuant to the written resolutions of the sole shareholder of the Company passed on 20 September 2017, conditional upon the share premium account of the Company being credited as a result of the issue of the Offer Shares under the Share Offer, the directors were authorised to capitalise HK\$35,800,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 358,000,000 Shares for allotment and issue to PRG Holdings.

Notes to the Financial Information

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. On 16 October 2017, the Company's shares were listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Listing**").

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

(b) Reorganisation

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 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**").

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated 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. The directors consider that it is more appropriate to adopt RM as the Group is a subsidiary of PRG Holdings which adopts RM as its reporting currency. All values are rounded to the nearest thousand except when otherwise indicated.

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 executive officer who is the 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.

Notes to the Financial Information

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.

Three months ended 31 March 2018 (unaudited)

	Elastic textile RM'000	Webbing RM'000	Other products RM'000	Elimination RM'000	Total RM'000
Revenue					
Revenue from external customer	10,732	7,710	2,518	-	20,960
Inter-segment revenue	66	-	-	(66)	-
Total revenue	10,798	7,710	2,518	(66)	20,960
Segment cost of sales	(7,894)	(6,199)	(1,970)	226	(15,837)
Gross profit	2,904	1,511	548	160	5,123
Other expenses, net					(95)
Distribution costs					(586)
Administrative expenses					(3,694)
Interest income					136
Finance costs					(208)
Share of loss of an associate, net of tax					(320)
Share of profit of a joint venture, net of tax					19
Profit before income tax expense					375
Income tax expense					(139)
Profit for the period					236
Other segment item included in the condensed consolidated statements of profit or loss and other comprehensive income for the Period is as follows:					
Depreciation included in cost of sales	465	89	62	-	616

Note: Included in segment cost of sales was intra-group rental expenses of RM160,000 and the corresponding rental income was eliminated in "other expenses, net" in the condensed consolidated statements of profit or loss and other comprehensive income.

Notes to the Financial Information

Three months ended 31 March 2017 (audited)

	Elastic textile RM'000	Webbing RM'000	Other products RM'000	Elimination RM'000	Total RM'000
Revenue					
Revenue from					
external customer	14,035	10,384	3,516	–	27,935
Inter-segment revenue	57	–	2	(59)	–
Total revenue	14,092	10,384	3,518	(59)	27,935
Segment cost of sales	(9,551)	(7,544)	(2,848)	313	(19,630)
Gross profit	4,541	2,840	670	254	8,305
Other income, net					90
Distribution costs					(665)
Administrative expenses					(5,730)
Interest income					128
Finance costs					(284)
Share of profit of a joint venture, net of tax					54
Profit before income tax expense					1,898
Income tax expense					(780)
Profit for the period					1,118
Other segment item included in the consolidated statements of profit or loss and other comprehensive income for the three months ended 31 March 2017 is as follows:					
Depreciation included in cost of sales	512	92	113	–	717

Note: Included in segment cost of sales was intra-group rental expenses of RM254,000 and the corresponding rental income was eliminated in "other income, net" in the consolidated statements of profit or loss and other comprehensive income.

Notes to the Financial Information

(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	
	31 March	
	2018 (Unaudited) RM'000	2017 (Audited) RM'000
Revenue from external customers		
Malaysia	1,724	1,965
Vietnam	7,414	11,098
Asia Pacific (excluding Malaysia and Vietnam)	5,638	8,164
Europe	2,414	3,301
North America	3,770	3,124
Others	–	283
Total	20,960	27,935

(c) Information about major customers

During the Period, the Group generated revenue from transactions with a single external customer from elastic textile segment of RM2,216,000, which amount to 10% or above of the total revenue of the Group. There is no customer which generated 10% or above of the total revenue of the Group in the corresponding period of 2017.

4. REVENUE

Revenue represents the net invoiced value of goods sold.

Notes to the Financial Information

5. OTHER (EXPENSES)/INCOME, NET

	Three months ended 31 March	
	2018	2017
	(Unaudited) RM'000	(Audited) RM'000
Loss on foreign exchange, net		
— realised	(175)	(39)
— unrealised	(71)	(40)
Commission income	100	26
Sales of scrap	9	81
Gain on disposal of property, plant and equipment	–	9
Others	42	53
Total	(95)	90

6. FINANCE COSTS

	Three months ended 31 March	
	2018	2017
	(Unaudited) RM'000	(Audited) RM'000
Interest on bank overdrafts	–	3
Interest on bank borrowings	201	258
Interest on amount due to the ultimate holding company	–	13
Interest on obligations under finance leases	7	10
Total	208	284

Notes to the Financial Information

7. PROFIT BEFORE INCOME TAX EXPENSE

	Three months ended 31 March	
	2018 (Unaudited) RM'000	2017 (Audited) RM'000
Profit before income tax expense is arrived at after charging/(crediting):		
Amortisation of intangible assets	6	5
Depreciation of property, plant and equipment	738	862
Listing related expenses	–	2,054
Inventories written down	61	357
Net loss/(gain) on disposal of property, plant and equipment	–	(9)
Rental expenses on:		
— building	94	86
— land	61	101

8. INCOME TAX EXPENSE

	Three months ended 31 March	
	2018 (Unaudited) RM'000	2017 (Audited) RM'000
Current tax		
— Provision for the period	139	879
Deferred tax		
— current period	–	(44)
— over provision in prior periods	–	(55)
	–	(99)
Income tax expense	139	780

Notes to the Financial Information

The Malaysian income tax is calculated at the statutory tax rate of 24% of the estimated taxable profits for the three months ended 31 March 2018 and 2017 whereas the Vietnamese corporate income tax during the three months ended 31 March 2018 and 2017 is calculated at the preferential tax rate of 15% on the assessable profits.

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

9. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. During the three months ended 31 March 2017, certain subsidiaries had declared and paid dividends amounting to RM8.5 million in aggregate.

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

10. 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 Period.

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

	Three months ended 31 March	
	2018 (Unaudited) RM'000	2017 (Audited) RM'000
Earnings		
Profit for the Period attributable to owners of the Company	236	1,178
Number of shares		
Weighted average number of ordinary shares in issue during the Period	504,000,000	378,000,000

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 had been effective on 1 January 2017.

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.

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 have remained stable during the Period. Although the elastic textile and webbing market are 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 Period, the revenue of elastic textile decreased by RM3.3 million or 23.5% as compared to the corresponding period of 2017. The decrease in covered elastic yarn of 11.1% was due to depreciation of United States dollar (“USD”) against RM, which lowered the revenue reported in RM for the sales denominated in USD in the first quarter of 2018 as compared to the corresponding period of 2017. For narrow elastic fabric, the revenue decreased by 34.5% as compared to the corresponding period of 2017 due to lower sales orders in the first quarter of 2018 from some customers in Vietnam, which were developing new specifications for their products and thus reduced their orders for certain existing products.

(ii) Webbing

Revenue from furniture webbing and seat belt webbing decreased by RM2.7 million or 25.8% as compared to the corresponding period of 2017 in aggregate. This was mainly attributable to the decreased sales volume in furniture webbing due to variation in quarterly procurement plan of certain customers.

(iii) Other products

During the Period, the revenue of other products decreased by RM1.0 million or 28.4% as revenue from sales of metal components for furniture was excluded as compared to the corresponding period of 2017. As disclosed in the Prospectus and the 2017 Annual Report, Furnitech Components (Vietnam) Co., Ltd., a then subsidiary of the Company, which sells metal components for furnitures, 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 Period amounted to RM21.0 million, representing a decrease of RM7.0 million or 25.1% as compared with RM27.9 million for the corresponding period of 2017. A majority of the Group's revenue was attributable to elastic textile and webbing products for both periods, which accounted for approximately 51.2% and 36.8% of the total revenue respectively during the Period and 50.2% and 37.2% respectively during the corresponding period of 2017.

The decrease in revenue was mainly due to reduced sales for certain existing products as those customers were developing new specifications for their products, depreciation of USD against RM which lowered the revenue reported in RM for the sales denominated in USD, variation in quarterly procurement plans of certain customers, and the revenue from sales of metal components for furniture (the subsidiary became an associate of the Company since 14 September 2017) was excluded in the first quarter of 2018.

During the Period, domestic sales and export sales accounted for around 43.6% and 56.4% (2017: 46.8% and 53.2%) of the revenue, respectively. Asia Pacific region (excluding Malaysia and Vietnam), Europe and North America continued to be the major export countries of the Group during both periods.

Cost of Sales

For the Period, the cost of sales of the Group amounted to RM15.8 million (2017: RM19.6 million), representing a decrease of RM3.8 million or 19.4% compared to the corresponding period in 2017. The decrease of the cost of sales was in line with the decrease in revenue.

Gross Profit and Gross Profit Margin

For the Period, the Group achieved gross profit of approximately RM5.1 million (2017: RM8.3 million), representing a decrease of RM3.2 million or 38.6% as compared to the corresponding period in 2017.

The decrease in the gross profit of the Group was mainly due to lower sales for the first quarter of 2018. The gross profit margin of the Group decreased from 29.7% during the Period to 24.4%, resulting from the higher material prices of crude-oil based raw materials such as yarn, increase in minimum wage in Vietnam and abrupt weakness in USD in the first quarter of 2018. The Company is taking a strategy not to pass on the increased costs in the short term in view of the competitions and looming uncertainty in the global trade.

Management Discussion and Analysis

Other (expenses)/income, net

The decrease in other income was mainly due to the losses arising from realised and unrealised foreign exchange of RM0.2 million and RM0.1 million respectively.

The foreign exchange loss was mainly due to RM being strengthened against USD during the Period by 4.6% (March 2018: USD1: RM3.8620 ; December 2017: USD1: RM4.0475).

Distribution Costs

For the Period, the distribution costs of the Group amounted to RM0.6 million (2017: RM0.7 million), representing a decrease of RM0.1 million or 14.3% compared to the corresponding period in 2017. The decrease was mainly due to the decrease in transportation expenses and customs declaration charges during the Period, which was in line with the decrease 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 Period, the administrative expenses of the Group amounted to RM3.7 million (2017: RM5.7 million), representing a decrease of RM2.0 million or 35.1% as compared to the corresponding period in 2017. The decrease was mainly due to the recognition of the listing related expenses of approximately RM2.1 million during the corresponding period of 2017.

Profit for the Period

For the Period, the profit for the period amounted to RM0.2 million (2017: RM1.2 million), representing a decrease of approximately RM0.9 million or 75.0% as compared to the corresponding period in 2017. The decrease in profit was mainly due to lower sales for the first quarter of 2018.

DIVIDEND

The Board does not declare the payment of any interim dividend for the Period.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option Scheme”) on 20 September 2017.

As at 31 March 2018, there were no outstanding share options under the Share Option Scheme as no share options have been granted since its adoption.

Management Discussion and Analysis

SUBSEQUENT EVENTS

On 25 April 2018, the Company entered into a letter of intent (the “LOI”), which is legally binding, with Philipp Plein International AG and Plein Sport AG to record the parties’ intention to start a business collaboration, initially in Singapore, Malaysia and Thailand. The authorised dealer agreement (which can be entered into by the Company or any of its designated wholly-owned subsidiaries) upon the principal terms and conditions that are reflective of the parties’ intention and consistent with the LOI is, subject to finalisation, expected to be entered into by no later than the end of the third quarter of 2018. Please refer to the Company’s announcement dated 25 April 2018 for details.

FUTURE PROSPECTS AND OUTLOOK

The Group will continue to expand the application of the products to different application, 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 net 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 Group anticipates that the demand of our products remains promising and is pursuing its strategies to capture new business opportunities. However, we also foresee challenges from the recent crude oil price surge that will increase the price of certain crude-oil based raw materials, such as polyester high tenacity filament yarn, polypropylene multifilament yarn and synthetic rubber, which will impact on the gross profit margin if the Group is unable to pass on the increment in raw material prices entirely 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. Further, any significant and abrupt movement in the exchange rate between the RM, Vietnamese Dong and USD may result in foreign exchange gains or losses, which may affect the Group’s results as the Group derives a significant amount of its revenue in USD. The Group will strive to enhance its market position, further its business development and actively consider new opportunities for growth.

Management Discussion and Analysis

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 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 that 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; and
- (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. During the Period, 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.

To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the Period.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

During the Period, none of the Directors or his connected entity had a material interest, whether directly or indirectly, in any arrangement, transaction or contract of significance to the business of the Group subsisting during the Period or at the end of the Period to which the Company or any of its subsidiaries or fellow subsidiaries was a party.

As at 31 March 2018, no contract of significance had been entered into between the Company, or any of its subsidiaries or fellow subsidiaries and the Controlling Shareholder or any of its subsidiaries.

INTERESTS OF COMPLIANCE ADVISER

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 31 March 2018, 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 securities 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 “Relationship With Our Controlling Shareholder — Competition — Undertakings given by our Controlling Shareholder” in the Prospectus, the 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 (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 date of Listing 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.

Other Information

The Controlling Shareholder had provided a written confirmation to the Company that it has complied with the Deed of Non-Competition for the Period and there is no matter in relation to their compliance with or enforcement of the Deed of Non-Competition that needs to be brought to the attention of the Stock Exchange, the Company and/or the shareholders of the Company.

The independent non-executive Directors have also confirmed to the Company that, having made such reasonable enquiries with the Controlling Shareholder and reviewed the written confirmation from the Controlling Shareholder and/or such documents as they considered appropriate, nothing has come to their attention that causes them to believe that the terms of the Deed of Non-Competition had not been complied with by the Controlling Shareholder during 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 Period.

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 during the Period.

Other Information

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 31 March 2018, 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 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 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)	0.04%
Mr. Cheah Eng Chuan	PRG Holdings (Note 2)	Beneficial owner	15,742,716 shares of RM0.25 each (L)	5.20%
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	53,167,800 shares of RM0.25 each (L)	17.56%

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

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 Peek	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)	6.92%
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	315,000 shares of RM0.25 each (L)	0.10%

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 31 March 2018, 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 Rules 5.46 to 5.67 of the GEM Listing Rules.

Other Information

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

As at 31 March 2018, the following persons (other than the Directors or chief executive 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules, as its own securities dealing code, with terms no less exacting than the code of conduct regarding Directors' securities transactions in securities of the Company. Having made specific enquiry to the Directors, all Directors have confirmed that they have complied with the required standard of dealings and there is no event of non-compliance during the Period.

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.

Other Information

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.

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, 10 May 2018

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>.