

FURNIWEB HOLDINGS LIMITED

飛靚控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8480



2018

THIRD QUARTERLY REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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*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.*

The board of Directors (the “**Board**”) announces the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2018 (the “**Period**”), 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 NINE MONTHS ENDED 30 SEPTEMBER 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 (Unaudited) RM'000	2017 (Unaudited) RM'000	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000
Revenue	4	23,039	27,345	67,535	85,790
Cost of sales		(17,824)	(21,047)	(51,690)	(61,915)
Gross profit		5,215	6,298	15,845	23,875
Other income, net	5	588	3,183	796	3,088
Distribution costs		(658)	(719)	(1,978)	(2,246)
Administrative expenses		(4,472)	(5,599)	(12,436)	(17,151)
Interest income		168	19	481	269
Finance costs	6	(134)	(296)	(532)	(903)
Share of profit of a joint venture, net of tax		144	144	194	226
Share of loss of an associate, net of tax		(278)	-	(808)	-
Profit before income tax expense	7	573	3,030	1,562	7,158
Income tax expense	8	(500)	(432)	(877)	(1,999)
Profit for the period		73	2,598	685	5,159
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		1,554	(835)	(228)	(1,623)
Share of other comprehensive income of a joint venture		21	(15)	(20)	(52)
Share of other comprehensive income of an associate		(75)	-	16	-

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 (Unaudited) RM'000	2017 (Unaudited) RM'000	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000
Other comprehensive income for the period, net of tax		1,500	(850)	(232)	(1,675)
Total comprehensive income for the period		1,573	1,748	453	3,484
Profit/(loss) attributable to:					
Owners of the Company		73	2,681	685	5,389
Non-controlling interests		-	(83)	-	(230)
		73	2,598	685	5,159
Total comprehensive income attributable to:					
Owners of the Company		1,573	1,628	453	3,507
Non-controlling interests		-	120	-	(23)
		1,573	1,748	453	3,484
Earnings per share:					
Basic and diluted (cents)	10	0.02	0.71	0.14	1.43

Unaudited Condensed Consolidated Statement of Changes in Equity

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	Share capital	Share premium	Capital reserve	Merger reserve	Exchange translation reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2017 (audited)	-	-	30,158	-	47	45,789	75,994	23	76,017
Profit/(loss) 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)
Total comprehensive income	-	-	-	-	(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	-	-	-	-	-
Capital contribution by ultimate holding Company to a subsidiary	-	-	13,132	-	-	(13,132)	-	-	-
Dividends paid/declared	-	-	-	-	-	(13,463)	(13,463)	-	(13,463)
Total transaction with owners	1,081	-	(30,158)	42,209	-	(26,595)	(13,463)	-	(13,463)
Balance at 30 September 2017 (unaudited)	1,081	-	-	42,209	(1,835)	24,583	66,038	-	66,038
Balance at 1 January 2018 (audited)	27,285	3,609	-	42,208	(3,496)	28,000	97,606	-	97,606
Profit for the period	-	-	-	-	-	685	685	-	685
Exchange differences on translation of foreign operations	-	-	-	-	(228)	-	(228)	-	(228)
Share of other comprehensive income of a joint venture, net of tax	-	-	-	-	(20)	-	(20)	-	(20)
Share of other comprehensive income of an associate, net of tax	-	-	-	-	16	-	16	-	16
Total comprehensive income	-	-	-	-	(232)	685	453	-	453
Balance at 30 September 2018 (unaudited)	27,285	3,609	-	42,208	(3,728)	28,685	98,059	-	98,059

Unaudited Condensed Consolidated Statement of Changes in Equity

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

- (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.
- (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 were 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 GEM of the Stock Exchange (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 issued 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 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

The unaudited condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standard, issued by the International Accounting Standards Board 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 reporting currency as the Company 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.

Notes to the Financial Information

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 the Company's 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.

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

Nine months ended 30 September 2018 (unaudited)

	Elastic Textile RM'000	Webbing RM'000	Other products RM'000	Elimination RM'000	Total RM'000
Revenue					
Revenue from external customer	34,883	24,241	8,411	–	67,535
Inter-segment revenue	183	19	1	(203)	–
Total revenue	35,066	24,260	8,412	(203)	67,535
Segment cost of sales	(26,913)	(18,784)	(6,678)	685	(51,690)
Gross profit	8,153	5,476	1,734	482	15,845
Other income, net					796
Distribution costs					(1,978)
Administrative expenses					(12,436)
Interest income					481
Finance costs					(532)
Share of profit of a joint venture, net of tax					194
Share of loss of an associate, net of tax					(808)
Profit before income tax expense					1,562
Income tax expense					(877)
Profit for the period					685
Depreciation included in cost of sales	1,443	279	185	–	1,907

Other segment item included in the unaudited condensed consolidated statements of profit or loss and other comprehensive income for the Period is as follows:

Depreciation included in cost of sales	1,443	279	185	–	1,907
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Notes to the Financial Information

Note: Included in segment cost of sales was intra-group rental expenses of RM481,500 and the corresponding rental income was eliminated in "other income, net" in the unaudited condensed consolidated statements of profit or loss and other comprehensive income.

Nine months ended 30 September 2017 (unaudited)

	Elastic Textile RM'000	Webbing RM'000	Other products RM'000	Elimination RM'000	Total RM'000
Revenue					
Revenue from					
external customer	46,172	28,504	11,114	–	85,790
Inter-segment revenue	252	97	80	(429)	–
Total revenue	46,424	28,601	11,194	(429)	85,790
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 item included in the unaudited condensed consolidated statements of profit or loss and other comprehensive income for the nine months ended 30 September 2017 is as follows:

Depreciation included in cost of sales	1,519	275	336	–	2,130
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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 unaudited condensed 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		Nine months ended	
	30 September		30 September	
	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000
Revenue from external customers				
Malaysia	2,353	2,207	6,302	6,732
Vietnam	7,527	11,034	22,523	33,624
Asia Pacific (excluding Malaysia and Vietnam)	5,745	6,417	18,652	22,144
Europe	3,006	3,108	6,931	9,634
North America	4,290	4,378	12,822	12,930
Others	118	201	305	726
Total	23,039	27,345	67,535	85,790

(c) Information about major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group for the reporting periods was as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000
Customer A	2,977	N/A	7,749	N/A
Customer B	2,248	N/A	6,768	N/A

4. REVENUE

Revenue represents the net invoiced value of goods sold.

Notes to the Financial Information

5. OTHER INCOME, NET

	Three months ended		Nine months ended	
	30 September		30 September	
	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000
Gain/(Loss) on foreign exchange, net				
— realised	207	(99)	129	(388)
— unrealised	200	(112)	117	(250)
Commission income	188	25	380	64
Sales of scrap	14	23	37	164
Gain on disposal of property, plant and equipment	7	–	11	9
Gain on disposal of subsidiary	–	3,210	–	3,210
Others	(28)	136	122	279
Total	588	3,183	796	3,088

6. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000
Interest on bank overdrafts	4	2	5	7
Interest on bank borrowings	124	266	509	804
Interest on amount due to the ultimate holding company	–	20	–	64
Interest on obligations under finance leases	6	8	18	28
Total	134	296	532	903

Notes to the Financial Information

7. PROFIT BEFORE INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	30 September		30 September	
	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000
Profit before income tax expense is arrived at after charging/ (crediting):				
Amortisation of intangible assets	4	5	16	15
Depreciation of property, plant and equipment	786	845	2,273	2,552
Listing expenses (including professional fees and other expenses)	–	1,863	–	5,836
Inventories written down	6	(12)	202	207
Reversal of inventories written down	(188)	110	(236)	(130)
Net gain on disposal of property, plant and equipment	(7)	–	(11)	(9)
Rental expenses on:				
— building	83	74	249	256
— land	63	97	185	297

Notes to the Financial Information

8. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000
Current tax				
— provision for the period	392	456	769	2,122
— Under/(over) provision in prior periods	108	(24)	108	(24)
	500	432	877	2,098
Deferred tax				
— current period	—	—	—	(44)
— over provision in prior periods	—	—	—	(55)
	—	—	—	(99)
Income tax expense	500	432	877	1,999

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 2018 and 2017 whereas the Vietnamese corporate income tax during the nine months ended 30 September 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 nine months ended 30 September 2017, certain subsidiaries had declared and paid dividends amounting to RM8.5 million in aggregate.

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

Notes to the Financial Information

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		Nine months ended	
	30 September		30 September	
	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000
Earnings				
Profit for the period attributable to owners of the Company	73	2,681	685	5,389
Number of shares				
Weighted average number of ordinary shares in issue during the period	504,000,000	378,000,000	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 in connection with the Listing 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 were 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.

(i) Elastic textile

For the Period, the revenue of elastic textile decreased by RM11.3 million or 24.5% as compared to the corresponding period of 2017. Revenue of covered elastic yarn decreased by 14.6% despite the increase in sales volume by 2.1%, mainly due to increased sales of relatively lower price range products as well as weakening in United States dollar (“USD”) against RM in the first three quarters of 2018 against the corresponding period in 2017, which lowered the revenue reported in RM for the sales denominated in USD during the Period as compared to the corresponding period of 2017. For narrow elastic fabric, the revenue decreased by 35.1% as compared to the corresponding period of 2017 due to lower sales orders during the Period from a few key customers which were developing new specifications of certain products and thus reduced their orders for certain existing products.

(ii) Webbing

Revenue decreased by RM4.3 million or 15.1% as compared to the corresponding period of 2017, mainly due to reduced number of sales orders from customers in certain Asian and European countries as a result of the depreciation in their local currencies against USD, delay in ordering certain specification of products and lower average selling prices arising from stiff market competition. Despite the fact that the sales volume of furniture webbing remained stable as compared to the corresponding period in 2017, the revenue from furniture webbing decreased by 12.8%, mainly attributable to increased sales of relatively lower margin furniture webbing products as well as weakening in USD against RM mentioned in note (i) above.

(iii) Other products

During the Period, the revenue of other products decreased by RM2.7 million or 24.3% 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. (“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 equity interest of 45.06%.

Setting aside the impact of FCV (VN), the revenue from this product segment has a steady growth, as shown by an increase of 9.1% during the Period.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group's revenue for the Period amounted to RM67.5 million, representing a decrease of RM18.3 million or 21.3% as compared with RM85.8 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 contributed approximately 51.7% and 35.9% respectively during the Period and 53.8% and 33.2% respectively during the nine months ended 30 September 2017.

The decrease in revenue was mainly due to reduced sales for certain existing products as certain customers became more prudent in their procurement plan in view of the uncertainty in the global trade market as a result of the on-going trade spat between the United States and China. Besides that, some customers delayed their procurement plan as they were developing new specifications for their products, while some customers also reduced their procurement from us as their local currencies depreciated against USD. The Group also increased sales of relatively lower margin products due to competitive business environment. The weakening in USD against RM in the first three quarters of 2018 against the corresponding period in 2017 has lowered the revenue reported in RM for the sales denominated in USD. The exclusion of revenue from sales of metal components for furniture (from the subsidiary which has become an associate of the Company since 14 September 2017) from consolidation during the Period has also contributed to the decrease in revenue for the Period.

During the Period, domestic sales and export sales accounted for around 42.7% and 57.3% (2017: 47.0% and 53.0%) 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.

Cost of Sales

For the Period, the cost of sales of the Group amounted to RM51.7 million (2017: RM61.9 million), representing a decrease of RM10.2 million or 16.5% compared to the corresponding period in 2017. The decrease of the cost of sales was in line with the decrease in revenue.

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

For the Period, the Group achieved gross profit of approximately RM15.8 million (2017: RM23.9 million), representing a decrease of RM8.1 million or 33.9% as compared to the corresponding period in 2017.

The decrease in the gross profit of the Group was mainly due to lower sales during the Period. The gross profit margin of the Group decreased from 27.8% to 23.5% during the Period, resulting from the higher material prices of crude-oil based raw materials such as yarn, chemical and dye stuff, higher proportion of relatively lower margin products sold, weakening in USD against RM in the first three quarters of 2018 against the corresponding period in 2017 and a decrease in sales volume in certain products, which in turn increased the weighing of fixed overheads over total cost of sales as compared to the corresponding period in 2017. However, the Company is also taking a strategy not to pass on the increased costs to the customers in the short term in view of the competitions and looming uncertainty in the global trade.

Other income, net

Other income during the Period mainly arises from higher commission income and lower loss on foreign exchange.

Distribution Costs

For the Period, the distribution costs of the Group amounted to RM2.0 million (2017: RM2.2 million), representing a decrease of RM0.2 million or 9.1% compared to the corresponding period in 2017. The decrease was mainly due to the decreases 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 RM12.4 million (2017: RM17.2 million), representing a decrease of RM4.8 million or 27.9% as compared to the corresponding period in 2017. The decrease was mainly due to the recognition of the listing expenses (including professional fees and other expenses) of approximately RM5.8 million during the nine months ended 30 September 2017. Setting aside the listing expenses, the administrative expenses would have increased by RM1.0 million or 8.8% which was mainly due to additional post-listing administrative and corporate expenses of RM1.4 million, such as Directors' fee and remuneration, fees of the compliance adviser, legal adviser, stock exchange, company secretary and share registrar.

Management Discussion and Analysis

Profit for the period

For the Period, the profit for the period amounted to RM0.7 million (2017: RM5.2 million), representing a decrease of approximately RM4.5 million or 86.5% as compared to the corresponding period in 2017. The decrease in profit during the Period was mainly due to lower revenue from the sales of various products and an increase in raw material costs. The profit for the Period was also further impacted by additional post-listing administrative and corporate expenses of RM1.4 million and under provision of income tax expense in prior years of RM0.1 million. Setting aside the post-listing administrative and corporate expenses and under provision of income tax expense which were not incurred in the corresponding period in 2017, the profit for the Period would improve to RM2.2 million.

SHARE OPTION SCHEME

As at 30 September 2018, no share options had been granted under the share option scheme adopted by the Company on 20 September 2017.

FUTURE PROSPECTS AND OUTLOOK

The on-going trade spat between United States and China which poses risk to the global trade, has increased uncertainty in the market that may result in a lower global growth rate. Also, this may lead to uncertain forecast in the demand among some of our customers who may prefer to take more prudent stance and may review their procurement plan in the near term. With the global economy under threat due to the imposition of new tariff, the Group anticipates that the prospect of manufacturing business in the near future will be challenging.

Further, the crude oil price surge has also increased the price of crude-oil based raw materials, which lowered the gross profit margin of the Group. The Group is closely monitoring the raw material prices on a regular basis and adjusting the procurement plan and pricing strategy from time to time. Further, any significant movement in the exchange rate between RM and USD may result in foreign exchange gains or losses, which may affect the Group's performance as the Group derives a significant amount of its revenue in USD.

In view of the rapid change of global economy, the Group is constantly reviewing its business strategies and navigating the strategies based on the market changes. In this regard, the Group will cautiously plan for the production capacity based on the market condition. The Group will also enhance the capability of the product modification department to broaden products application as well as to strengthen market position by exploring new export markets and expanding existing customer base. Apart from that, the Group is also reviewing and developing appropriate and effective processes to manage the cost efficiently to align with its business strategies. The Group will strive to enhance its market position 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 the 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 “**Shareholders**”), 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 of two independent non-executive Directors (the “**INEDs**”) 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 the 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 of the Board and chief executive officer of the Company, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with the Shareholders.

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

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 30 September 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 30 September 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 (the “**Deed of Non-Competition**”), 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 on the date of the 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.

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 the 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.

Other Information

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 competed or was likely to compete, directly or indirectly, with the business of the Group and/or had or was 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 listed securities during the Period.

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 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.

Other Information

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

Name of Directors	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	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)	5.09%
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	56,089,100 shares of RM0.25 each (L)	18.13%

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 which is an 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 Directors	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	21,349,100 shares of RM0.25 each (L)	6.90%
Mr. Cheah Eng Chuan	PRG Holdings (Note 2)	Beneficial owner	5,603,518 shares of RM0.25 each (L)	1.81%
Dato' Sri 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 which is an 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 30 September 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 30 September 2018, the following person (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, stated below:

Interests and short positions in the Company

Name of Shareholder	Capacity/ Nature of interest	Number and class of securities	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 its issued shares are listed on the Main Market of Bursa Malaysia Securities Berhad.
3. Dato' Lua Choon Hann, an 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. In response to the specific enquiries made by the Company with the Directors, all Directors have confirmed that they had complied with the required standard of dealings and there was no event of non-compliance during the Period.

Other Information

REVIEW OF FINANCIAL STATEMENTS

The Company established an audit committee (the “**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 INEDs, namely, Mr. Ho Ming Hon, Dato’ Sri 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

Malaysia, 9 November 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’ Sri 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>.