



FURNIWEB HOLDINGS LIMITED

飛電控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8480

2019

FIRST QUARTERLY REPORT

CHARACTERISTICS OF 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 companies, 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.*

The Board of Directors of the Company (the "Board") announces the unaudited condensed consolidated results of the Group for the three months ended 31 March 2019 (the "Period"), together with the unaudited comparative figures for the corresponding period in 2018, as follows:

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

FOR THE THREE MONTHS ENDED 31 MARCH 2019

	Notes	Three months ended 31 March	
		2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
Revenue	4	23,627	20,960
Cost of sales		(18,671)	(15,837)
Gross profit		4,956	5,123
Other expenses, net	5	(153)	(95)
Distribution costs		(594)	(586)
Administrative expenses		(4,828)	(3,694)
Interest income		114	136
Finance costs	6	(247)	(208)
Share of profit of a joint venture, net of tax		38	19
Share of loss of an associate, net of tax		(196)	(320)
(Loss)/Profit before income tax expense	7	(910)	375
Income tax expense	8	(330)	(139)
(Loss)/Profit for the period		(1,240)	236
Other comprehensive income, net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(1,199)	(2,459)
Share of other comprehensive income of a joint venture		(25)	(51)
Share of other comprehensive income of an associate		81	(72)
Other comprehensive income for the period, net of tax		(1,143)	(2,582)
Total comprehensive income for the period		(2,383)	(2,346)
(Loss)/Earnings per share:			
Basic and diluted (cents)	10	(0.25)	0.05

Unaudited Condensed Consolidated Statement of Changes in Equity

FOR THE THREE MONTHS ENDED 31 MARCH 2019

	Share capital	Share premium	Merger reserve	Exchange translation reserve	Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2018 (audited)	27,285	3,609	42,208	(3,496)	28,000	97,606
Profit for the period	-	-	-	-	236	236
Exchange differences on translation of foreign operations	-	-	-	(2,459)	-	(2,459)
Share of other comprehensive income of a joint venture, net of tax	-	-	-	(51)	-	(51)
Share of other comprehensive income of an associate, net of tax	-	-	-	(72)	-	(72)
Total comprehensive income	-	-	-	(2,582)	236	(2,346)
Balance at 31 March 2018 (unaudited)	27,285	3,609	42,208	(6,078)	28,236	95,260
Balance at 1 January 2019 (audited)	27,285	3,609	42,208	(3,137)	28,697	98,662
Loss for the period	-	-	-	-	(1,240)	(1,240)
Exchange differences on translation of foreign operations	-	-	-	(1,199)	-	(1,199)
Share of other comprehensive income of a joint venture, net of tax	-	-	-	(25)	-	(25)
Share of other comprehensive income of an associate, net of tax	-	-	-	81	-	81
Total comprehensive income	-	-	-	(1,143)	(1,240)	(2,383)
Balance at 31 March 2019 (unaudited)	27,285	3,609	42,208	(4,280)	27,457	96,279

Notes to the Financial Information

1. 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 and its ordinary shares in issue have been listed on the GEM of the Stock Exchange since 16 October 2017 (the "Listing"). The addresses of the Company's registered office and its headquarters are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Lot 1883, Jalan KP89, Kg. Bharu Balakong, 43300 Seri Kembangan, Selangor, Malaysia, respectively.

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 Berhad ("PRG Holdings" or the "Controlling Shareholder") 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards, amendments and interpretations 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 operating subsidiaries and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The principal accounting policies applied in the preparation of these unaudited condensed consolidated financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2018, except for the change in accounting policy as below:

IFRS 16 Leases

Upon adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in respect of the underlying leased assets unless they qualify for short term leases or the underlying asset is of low value. In the unaudited condensed consolidated statement of profit or loss and other comprehensive income, depreciation was recognised on the related right-of-use assets and interest expenses was recognised on the lease liabilities instead of rental expense. Interest expenses on the lease liabilities was presented separately from depreciation under finance costs.

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 chief executive officer who is the chief operating decision-maker (the "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 the CODM does not use this information to allocate resources and evaluate the performance of the operating segments.

Three months ended 31 March 2019 (unaudited)

	Elastic textile RM'000	Webbing RM'000	Other products RM'000	Elimination RM'000 (Note)	Total RM'000
Revenue					
Revenue from external customers	11,903	8,914	2,810	–	23,627
Inter-segment revenue	146	–	21	(167)	–
Total revenue	12,049	8,914	2,831	(167)	23,627
Segment cost of sales	(9,863)	(7,035)	(2,100)	327	(18,671)
Gross profit	2,186	1,879	731	160	4,956
Other expenses, net					(153)
Distribution costs					(594)
Administrative expenses					(4,828)
Interest income					114
Finance costs					(247)
Share of profit of a joint venture, net of tax					38
Share of loss of an associate, net of tax					(196)
Loss before income tax expense					(910)
Income tax expense					(330)
Loss for the period					(1,240)

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

Depreciation included in cost of sales	482	103	60	–	645
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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 unaudited condensed consolidated statement of profit or loss and other comprehensive income.

Notes to the Financial Information

Three months ended 31 March 2018 (unaudited)

	Elastic textile RM'000	Webbing RM'000	Other products RM'000	Elimination RM'000 (Note)	Total RM'000
Revenue					
Revenue from external customers	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 profit of a joint venture, net of tax					19
Share of loss of an associate, net of tax					(320)
Profit before income tax expense					375
Income tax expense					(139)
Profit for the period					236
Other segment item included in the unaudited condensed consolidated statement 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 unaudited condensed consolidated statement 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	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
Revenue from external customers		
Malaysia	2,140	1,724
Vietnam	8,728	7,414
Asia Pacific (excluding Malaysia and Vietnam)	6,037	5,638
Europe	1,892	2,414
North America	4,701	3,770
Other	129	–
Total	23,627	20,960

(c) Information about major customers

During the Period, the Group generated revenue from transactions with a single external customer from elastic textile segment of RM2,879,000 (2018: RM2,216,000), contributing over 10% of the total revenue of the Group.

All revenue from customers during the period ended 31 March 2019 and 2018 were recognised at point in time.

4. REVENUE

Revenue represents the net invoiced value of goods sold.

Notes to the Financial Information

5. OTHER EXPENSES, NET

	Three months ended	
	31 March	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
Loss on foreign exchange, net		
— realised	(175)	(175)
— unrealised	(187)	(71)
Commission income	113	100
Gain on disposal of property, plant and equipment	59	–
Sales of scrap	19	9
Others	18	42
Total	(153)	(95)

6. FINANCE COSTS

	Three months ended	
	31 March	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
Interest on bank overdrafts	7	–
Interest on bank borrowings	187	201
Interest on obligations under finance leases	–	7
Interest on lease liabilities	53	–
Total	247	208

Notes to the Financial Information

7. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

	Three months ended 31 March	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
(Loss)/profit before income tax expense is arrived at after charging:		
Amortisation of intangible assets	3	6
Depreciation of property, plant and equipment	687	738
Depreciation of right-of-use assets	129	–
Inventories written down, net	233	61
Rental expenses on:		
— building	17	94
— land	–	61

8. INCOME TAX EXPENSE

	Three months ended 31 March	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
Current tax		
— provision for the period	330	139

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 2019 and 2018 whereas the Vietnamese corporate income tax during the three months ended 31 March 2019 and 2018 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.

Notes to the Financial Information

9. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

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

10. (LOSS)/EARNINGS PER SHARE

The calculation of (loss)/earnings per share is based on the (loss)/profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the Period.

The calculation of basic (loss)/earnings per share is based on the following information:

	Three months ended 31 March	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
(Loss)/Earnings		
(Loss)/Profit for the period attributable to owners of the Company	(1,240)	236
Number of shares		
Weighted average number of ordinary shares in issue during the Period	504,000,000	504,000,000

Diluted (loss)/earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding for the periods ended 31 March 2019 and 2018.

Management Discussion and Analysis

BUSINESS REVIEW

(a) Manufacturing division

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 (“US”), the United Kingdom, India, Indonesia, Australia, Sri Lanka and Pakistan.

(i) Elastic textile

For the Period, the revenue of elastic textile increased by RM1.2 million or 11.2% as compared to the corresponding period of 2018. Revenue of covered elastic yarn increased by 24.7% mainly due to an increase in sales orders from the customers in Malaysia, Vietnam, Pakistan and North America. For narrow elastic fabric, despite an increase in sales volume, revenue decreased by 5.6% as compared to the corresponding period of 2018, which was mainly due to the decrease in sales orders of higher profit margin products from a few major customers as those customers were more prudent in their procurement plan in view of the uncertainty in the global trade market. In order to compete with other market players, a higher proportion of sales of relatively lower profit margin products such as knitting processed products were secured during the Period.

(ii) Webbing

Revenue of webbing increased by RM1.2 million or 15.6% as compared to the corresponding period of 2018. This was mainly attributable to an increase in sales volume for furniture webbing and seat belt webbing in Vietnam and the Asia Pacific region during the Period.

(iii) Other products

During the Period, the revenue of other products increased by RM0.3 million or 12.0% as compared to the corresponding period of 2018, mainly due to an increase in sales order from a major customer.

(b) Retail Division

The Group has ventured into retail business in the second quarter of 2018 and became an authorised dealer of a brand “Philipp Plein” in Singapore, Malaysia, Thailand and a few approved additional territories. The first flagship store is to be opened in Marina Bay Sands, Singapore. The store is currently under renovation and targets to commence business in the second quarter of 2019. The management is in the midst of evaluating a few potential shopping malls for stores opening in the rest of 2019.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group's revenue for the Period amounted to RM23.6 million, representing an increase of RM2.6 million or 12.4% as compared with RM21.0 million for the corresponding period of 2018. A majority of the Group's revenue was attributable to the sale of elastic textile and webbing products for both periods, which accounted for approximately 50.4% and 37.7% of the total revenue respectively during the Period and 51.2% and 36.8% respectively during the corresponding period of 2018.

The increase in revenue was mainly due to an increase in sales volume from certain existing customers in Malaysia, Vietnam, the Asia Pacific region and North America during the Period as compared to the corresponding period of 2018.

During the Period, domestic sales and export sales accounted for around 46.0% and 54.0% (2018: 43.6% and 56.4%) 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 RM18.7 million (2018: RM15.8 million), representing an increase of RM2.9 million or 18.4% as compared to the corresponding period of 2018. The increase of the cost of sales was in line with the increase in revenue.

Gross Profit and Gross Profit Margin

For the Period, the Group achieved gross profit of approximately RM5.0 million (2018: RM5.1 million), representing a decrease of RM0.1 million or 2.0% as compared to the corresponding period of 2018.

The gross profit margin of the Group decreased from 24.4% to 21.0% during the Period, resulting from (i) a decrease in sales orders of higher profit margin products of narrow elastic fabric from a few major customers, which made fixed overheads of such products not fully covered by revenue and (ii) an increase in raw material costs of crude-oil based yarn, chemical and dye stuff and (iii) an increase in labour costs as the minimum wages in Malaysia and Vietnam increased from January 2019 onwards. Due to the stiff market competition and the looming uncertainty in global trade, the increased cost has not been passed to customers. However, the management is constantly reviewing the cost structure and negotiating with customers to improve the sales terms of the Group.

Management Discussion and Analysis

Other expenses, net

The increase in other expenses was mainly due to an increase in losses arising from unrealised foreign exchange during the Period.

Distribution Costs

For the Period, the distribution costs of the Group amounted to RM0.6 million (2018: RM0.6 million) which was consistent with the corresponding period of 2018.

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 RM4.8 million (2018: RM3.7 million), representing an increase of RM1.1 million or 29.7% as compared to the corresponding period in 2018. The increase was mainly due to the pre-operating expenses of RM0.4 million incurred for a retail entity of the Group, professional fees of RM0.4 million incurred for the proposed acquisition of Meinaide Holdings Group Limited as announced by the Company on 12 March 2019 (the "**Proposed Acquisition**"), and an increase in staff costs during the Period.

Loss for the Period

For the Period, the loss amounted to RM1.2 million (2018: profit of RM0.2 million), representing a decrease of approximately RM1.4 million as compared to the corresponding period in 2018. The loss incurred was mainly due to (i) a decrease in sales orders of higher profit margin products of narrow elastic fabric from a few major customers, which made fixed overheads of such products not fully covered by revenue, (ii) an increase in cost of sales, mainly (a) raw material costs of crude-oil based yarn, chemical and dye stuff, which had not been passed on to customers and (b) an increase in labour costs as the minimum wages in Malaysia and Vietnam increased from January 2019 onwards, and an increase in administrative expenses due to (a) pre-operating expenses incurred by a retail entity of the Group amounted to RM0.4 million (2018: Nil), (b) professional fees incurred for the Proposed Acquisition of RM0.4 million and (c) an increase in staff costs during the Period.

Management Discussion and Analysis

DIVIDEND

The Board does not declare the payment of any interim dividend for the Period (2018: Nil).

SHARE OPTION SCHEME

During the Period, no share options were granted, exercised or cancelled or lapsed under the share option scheme adopted by the Company on 20 September 2017. As at 31 March 2019, there were no share options outstanding.

FUTURE PROSPECTS AND OUTLOOK

The on-going trade spat between the US with China and other countries as well as the uncertainty raised by Brexit in the market resulted in a lower global growth projection. The Group anticipates that the prospect of manufacturing business in the near future remains challenging as customers remain cautious on purchases pending clearer settlements of the trade disputes.

Apart from that, raw material cost especially the crude-oil based yarn remains volatile and in line with the crude oil price. Adverse movement in either way will affect the gross profit margin of the Group. The Group is closely monitoring the raw material prices on a regular basis and will adjust the procurement plan and pricing strategy from time to time. Further, any significant movement in the exchange rate between RM and US dollar ("**USD**") may also 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 cost structure and will execute its business strategies, in particular, the expansion of production capacity, based on the market conditions. The Group will also enhance the capability of the product modification department to broaden products application as well as to strengthen its market position by exploring new export markets, securing existing clientele and acquiring new customers. 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 US, 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 US Department of Treasury's Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the US, 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 US, 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 as disclosed in the prospectus issued by the Company on 29 September 2017 (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:

- (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 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 contained 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.

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 31 March 2019, 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 2019, 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 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, PRG Holdings, 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.

The Controlling Shareholder has 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.

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 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SECURITIES OF THE COMPANY AND/OR ITS ASSOCIATED CORPORATIONS

As at 31 March 2019, the interests and 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 Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO") held by the Directors and chief executive of the Company as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise 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 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	108,800 shares of RM0.25 each (L)	0.03%
Mr. Cheah Eng Chuan	PRG Holdings (Note 2)	Beneficial owner	15,527,716 shares of RM0.25 each (L)	4.80%
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	56,547,500 shares of RM0.25 each (L)	17.48%

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 Directors	Name of the associated corporation	Capacity/Nature of interest	Number and class of securities (Notes 1 and 3)	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	21,668,300 shares of RM0.25 each (L)	6.70%
Mr. Cheah Eng Chuan	PRG Holdings (Note 2)	Beneficial owner	5,175,518 shares of RM0.25 each (L)	1.60%
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 and the associated corporation of the Company within the meaning under Part XV of the SFO.
3. The equity derivatives were warrants 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, 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 at 31 March 2019.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 31 March 2019, so far as are known to the Directors, the following persons (other than the Directors or chief executive of the Company) were recorded in the register kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Interests and short positions in shares (the "Shares") of HK\$0.10 each in the Company

Name of Shareholder	Capacity/Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
PRG Holdings (Notes 2&3)	Beneficial owner	317,520,000 Shares (L)	63.0%
Ong Asia Securities (HK) Limited	Security interest	257,000,000 Shares (L) (Note 4)	51.0%
Malayan Banking Berhad	Security interest	257,000,000 Shares (L) (Note 5)	51.0%

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 issued shares are listed on the Main Market of Bursa Malaysia Securities Berhad. According to the disclosure of interests filed by PRG Holdings, 257,000,000 Shares were on 16 January 2019 pledged as a collateral for a term loan to PRG Holdings.
3. Dato' Lua Choon Hann, an executive Director, is the vice chairman of PRG Holdings.
4. According to the disclosure of interest filed by Ong Asia Securities (HK) Limited ("**Ong Asia**"), it had created a security interest over 257,000,000 Shares on 16 January 2019.
5. According to disclosure of interest filed by Malayan Banking Berhad, Malayan Banking Berhad has 100% indirect equity interest in Ong Asia. Malayan Banking Berhad is deemed to be interested in the security interest in the 257,000,000 Shares held by Ong Asia under Part XV of the SFO.

Other Information

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 and the CG Code. The Board has adopted a revised terms of reference of the audit committee effective on 20 March 2019. 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 three independent non-executive Directors, 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 has 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, 8 May 2019

As at the date of this report, the non-executive Directors are Dato' Lim Heen Peok (the Chairman) and Mr. Yang Guang, the executive Directors are Mr. Cheah Eng Chuan, Mr. Tan Chuan Dyi, Dato' Lua Choon Hann and Mr. Qu Weidong, 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>.