

FURNIWEB HOLDINGS LIMITED

飛霓控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8480

2020
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 (the “**Board**”) announces the unaudited condensed consolidated results of the Group for the three months ended 31 March 2020 (the “**Period**”), together with the unaudited comparative figures for the corresponding period in 2019, as follows:

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

FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Notes	Three months ended 31 March	
		2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Revenue	4	25,464	23,627
Cost of sales		(17,739)	(18,671)
Gross profit		7,725	4,956
Other income/(expenses), net	5	3,594	(153)
Selling and distribution costs		(2,371)	(594)
Administrative expenses		(5,188)	(4,828)
Interest income		56	114
Finance costs	6	(523)	(247)
Share of profit of a joint venture, net of tax		67	38
Share of loss of associates, net of tax		(296)	(196)
Profit/(Loss) before income tax expense	7	3,064	(910)
Income tax expense	8	(371)	(330)
Profit/(Loss) for the period		2,693	(1,240)
Other comprehensive (expense)/income, net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Realisation of reserves from disposal of a subsidiary		(1,364)	-
Exchange differences on translation of foreign operations		3,378	(1,199)
Share of other comprehensive income of a joint venture		32	(25)
Share of other comprehensive (expense)/income of an associate		(3)	81

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

FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Notes	Three months ended	
		2020 (Unaudited) RM'000	31 March 2019 (Unaudited) RM'000
Other comprehensive income/(expenses) for the period, net of tax		2,043	(1,143)
Total comprehensive income/(expenses) for the period		4,736	(2,383)
Earnings/(Loss) per share:			
Basic and diluted (cents)	10	0.48	(0.25)

Unaudited Condensed Consolidated Statement of Changes in Equity

FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	Total RM'000
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 expense of a joint venture, net of tax	-	-	-	(25)	-	(25)
Share of other comprehensive income of an associate, net of tax	-	-	-	81	-	81
Total comprehensive expenses	-	-	-	(1,143)	(1,240)	(2,383)
Balance at 31 March 2019 (unaudited)	27,285	3,609	42,208	(4,280)	27,457	96,279
Balance at 1 January 2020 (audited)	30,255	80,824	42,208	(5,292)	(22,536)	125,459
Profit for the period	-	-	-	-	2,693	2,693
Realisation of reserves from disposal of a subsidiary	-	-	(2,775)	1,411	-	(1,364)
Exchange differences on translation of foreign operations	-	-	-	3,378	-	3,378
Share of other comprehensive income of a joint venture, net of tax	-	-	-	32	-	32
Share of other comprehensive expense of an associate, net of tax	-	-	-	(3)	-	(3)
Total comprehensive (expenses)/income	-	-	(2,775)	4,818	2,693	4,736
Balance at 31 March 2020 (unaudited)	30,255	80,824	39,433	(474)	(19,843)	130,195

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 shares in issue were 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, webbings products and polyvinyl chloride ("PVC") related products, and retail business. 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 ("IFRSs"), International Accounting Standards ("IAS"), amendments and interpretations (hereinafter collectively referred to as the "IFRSs") 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 unaudited condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2019 annual financial statements, except for those that relate to new standards or interpretations effective for the period beginning on or after 1 January 2020. Details of changes in accounting policies are set out below.

Adoption of new or revised IFRSs effective for annual periods beginning on or after 1 January 2020

Amendments to References to the Conceptual Framework in IFRS Standards

Amendments to IFRS 3 Definition of a Business

Amendments to IAS 1 and IAS 8 Definition of Material

Amendments to IFRS 9, IAS 139 and IFRS 7 Interest Rate Benchmark Reform

The adoption of the above standards did not have any significant effects on the unaudited condensed consolidated financial statements of the Group.

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, webbings products and PVC related products, and retail business. The Group determines its operating segments based on the reports reviewed by chief executive officer who is the chief operating decision-maker (the "CODM").

The Group has arrived at two reportable segments summarised as follows:

- (i) manufacturing (the "Manufacturing Division"); and
- (ii) retail (the "Retail Division").

In the third quarter of 2019, the Group streamlined the reportable segments to Manufacturing Division and Retail Division to reflect how the internal management reporting and operating results were reviewed by the Group's management for their decision making on segment resources allocation and performance assessment.

The CODM assesses performance of the operating segments on the basis of profit before income tax expense. Inter segment revenue is priced along the same lines as sales to external customers and is eliminated in the unaudited condensed 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.

Notes to the Financial Information

Three months ended 31 March 2020 (unaudited)

	Manufacturing RM'000	Retail RM'000	Others RM'000	Total RM'000
Revenue				
Revenue from external customers	24,215	1,182	67	25,464
Results				
Operating profit/(loss)	5,714	(1,277)	(677)	3,760
Interest income	56	-	-	56
Finance costs	(173)	(348)	(2)	(523)
Share of profit of a joint venture, net of tax	67	-	-	67
Share of loss of associates, net of tax	(296)	-	-	(296)
Profit/(Loss) before income tax expense	5,368	(1,625)	(679)	3,064
Income tax expense	(371)	-	-	(371)
Profit/(Loss) for the period	4,997	(1,625)	(679)	2,693
Other segment information:				
Depreciation and amortisation	(497)	(1,222)	(31)	(1,750)

Three months ended 31 March 2019 (unaudited) (restated)

	Manufacturing RM'000	Retail RM'000	Others RM'000	Total RM'000
Revenue				
Revenue from external customers	23,627	-	-	23,627
Results				
Operating profit/(loss)	555	(390)	(784)	(619)
Interest income	100	-	14	114
Finance costs	(247)	-	-	(247)
Share of profit of a joint venture, net of tax	38	-	-	38
Share of loss of associates, net of tax	(196)	-	-	(196)
Profit/(Loss) before income tax expense	250	(390)	(770)	(910)
Income tax expense	(330)	-	-	(330)
Loss for the period	(80)	(390)	(770)	(1,240)
Other segment information:				
Depreciation and amortisation	(819)	-	-	(819)

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, Vietnam, the People's Republic of China ("PRC") and Hong Kong, and the retail business is based in the Republic of Singapore ("Singapore").

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	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Revenue from external customers		
Asia Pacific	19,521	16,905
Europe	1,388	1,892
North America	4,205	4,701
Others	350	129
Total	25,464	23,627

(c) Information about major customers

During the Period, the Group generated revenue from transactions with a single external customer from elastic textile segment of RM3,455,000 (2019: RM2,879,000) contributing over 10% of the total revenue of the Group.

All revenue from customers during the periods ended 31 March 2020 and 2019 were recognised at point in time.

Notes to the Financial Information

4. REVENUE

Revenue represents the net invoiced value of goods sold.

5. OTHER INCOME/(EXPENSES), NET

	Three months ended	
	31 March	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Gain/(Loss) on foreign exchange, net		
— realised	267	(175)
— unrealised	57	(187)
Commission income	101	113
Gain on disposal of a subsidiary, net	3,197	—
Gain on disposal of property, plant and equipment	12	59
Sales of scrap	1	19
Others	(41)	18
Total	3,594	(153)

6. FINANCE COSTS

	Three months ended	
	31 March	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Interest on bank overdrafts	7	7
Interest on bank borrowings	172	187
Interest on lease liabilities	332	53
Others	12	—
Total	523	247

Notes to the Financial Information

7. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

	Three months ended 31 March	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Profit/(Loss) before income tax expense is arrived at after charging/(crediting):		
Amortisation of intangible assets	2	3
Depreciation of property, plant and equipment	675	687
Depreciation of right-of-use assets	1,073	129
(Reversal of inventories written down)/Inventories written down, net	(1,362)	233
Gain on disposal of a subsidiary, net	(3,197)	–
Rental expenses on building	81	17

8. INCOME TAX EXPENSE

	Three months ended 31 March	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Current tax — Malaysian income tax — provision for the period	143	67
Current tax — Overseas — provision for the period	259	263
	402	330
Deferred tax — current year	(31)	–
	371	330

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

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 2020 and 2019.

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

Notes to the Financial Information

9. DIVIDENDS

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

The Board does not recommend the payment of any dividend for the Period (2019: RMNil).

10. EARNINGS/(LOSS) PER SHARE

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

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

	Three months ended 31 March	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Earnings/(Loss)		
Profit/(Loss) for the period attributable to owners of the Company	2,693	(1,240)
Number of shares		
Weighted average number of ordinary shares in issue during the period	560,000,000	504,000,000

Diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share as there were no dilutive potential ordinary shares outstanding for the periods ended 31 March 2020 and 2019.

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, United Kingdom, India, Indonesia, Australia, Sri Lanka and Pakistan.

On 28 June 2019, the Group completed the acquisition of the entire issued share capital of Meinaide Holdings Group Limited (the "**Acquisition**") whose subsidiaries in Hong Kong and PRC (together with Meinaide Holdings Group Limited, collectively the "**PVC Subsidiaries**") are mainly engaged in the manufacture and sale of PVC related products to customers in Hong Kong, PRC and other Asian countries.

On 10 January 2020, the Group entered into a conditional capital transfer agreement (the "**Capital Transfer Agreement**") with an independent party (the "**Purchaser**") pursuant to which the Purchaser has conditionally agreed with the Group to (i) acquire the entire registered and paid-in charter capital of USD2,100,000 of Premier Elastics Webbing & Accessories (Vietnam) Co., Ltd. ("**PEWAV (VN)**"), a wholly-owned subsidiary of the Company and (ii) pay the agreed amount of inter-company loans and debts owed by PEWAV (VN) as at 10 January 2020, being the date of the Capital Transfer Agreement for a total consideration of USD2,945,911 (equivalent to approximately RM12,028,155), subject to and upon the terms and conditions of the Capital Transfer Agreement. The disposal constituted a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. Further details in relation to the disposal were disclosed in the announcements of the Company dated 10 January 2020 and 13 February 2020. The financial results of PEWAV (VN) ceased to be accounted for in the Group's unaudited condensed consolidated financial statements during the Period.

The revenue from the Manufacturing Division for the Period was approximately RM24.2 million, increased by approximately RM0.6 million or 2.5% as compared to the corresponding period of 2019.

During the Period, domestic sales and export sales accounted for approximately 44.2% and 55.8% (2019: 46.0% and 54.0%) of the total revenue, respectively. Asia Pacific region, Europe and North America continued to be the major export countries of the Group during both periods.

Management Discussion and Analysis

Revenue generated from the sale of elastic textile, webbing and other manufacturing products accounted for approximately 30.3%, 40.3% and 29.4% (2019: 50.4%, 37.7% and 11.9%) of the total revenue respectively during the Period. The performance by products is stated as below:

(i) Elastic textile

For the Period, the revenue of elastic textile was approximately RM7.3 million, decreased by RM4.7 million or 39.2% as compared to the corresponding period of 2019, as the financial results of PEWAV (VN) ceased to be accounted for in the Group's unaudited condensed consolidated financial statements during the Period. PEWAV (VN) contributed revenue of RM4.6 million from sale of narrow elastic fabric during the corresponding period of 2019.

(ii) Webbing

For the Period, the revenue of webbing was approximately RM9.8 million, increased by RM0.9 million or 10.1% as compared to the corresponding period of 2019. This was mainly attributable to an increase in sales volume for both furniture webbing and seat belt webbing from customers in Asia Pacific region and Europe during the Period.

(iii) Other manufacturing products

During the Period, the revenue of other manufacturing products was approximately RM7.1 million, increased by RM4.3 million or 153.6% as compared to the corresponding period of 2019, mainly due to the completion of Acquisition on 28 June 2019. The PVC Subsidiaries contributed revenue of approximately RM4.4 million to the Group for the Period (2019: RMNil).

(b) Retail Division

The Group had ventured into retail business in the second quarter of 2018 and became an authorised dealer of the luxury apparel brand "**Philipp Plein**" in Singapore, Malaysia, Thailand and a few approved additional territories. The first flagship store was opened in Marina Bay Sands, Singapore in April 2019, which is the first "**Philipp Plein**" store in South East Asia. The second store which is 49% owned by the Group, was opened in IconSiam, Bangkok in Thailand in July 2019.

The Retail Division generated revenue amounting to approximately RM1.2 million for the Period (2019: RMNil). The revenue of the Retail Division was affected by the outbreak of the Novel Corona Virus Disease-2019 ("**COVID-19**") pandemic, which led to a decrease in the tourists arrival and the deterioration of overall consumption during the Period.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group's revenue for the Period amounted to approximately RM25.4 million, representing an increase of RM1.8 million or 7.6% as compared to corresponding period of 2019.

A majority of the Group's revenue was contributed by the Manufacturing Division, which accounted for approximately 94.9% (2019: 100%) of the total revenue for the Period.

Revenue from the Manufacturing Division increased by approximately RM0.6 million, mainly due to additional revenue contributed by the PVC Subsidiaries of approximately RM4.4 million (2019: RMNil) as well as an increase in sales volume for webbing products during the Period as compared to corresponding period of 2019, partially offset by the decrease in revenue from elastic textile as the financial results of PEWAV (VN) ceased to be accounted for in the Group's unaudited condensed consolidated financial statements during the Period. PEWAV (VN) contributed revenue of RM4.6 million during the corresponding period of 2019.

During the Period, the Retail Division also contributed revenue of approximately RM1.2 million to the Group (representing 4.7% of the total revenue) (2019: RMNil) after the opening of the first "Philipp Plein" flagship store in Singapore in April 2019.

Cost of Sales

For the Period, the cost of sales of the Group amounted to RM17.7 million (2019: RM18.7 million), representing a decrease of approximately RM1.0 million or 5.3% as compared to the corresponding period of 2019. Cost of sales decreased as the financial results of PEWAV (VN) ceased to be accounted for in the Group's unaudited condensed consolidated financial statements during the Period, partially offset by the cost of sales incurred by the PVC Subsidiaries during the Period (2019: RM Nil).

Gross Profit and Gross Profit Margin

For the Period, the Group achieved gross profit of approximately RM7.7 million (2019: RM5.0 million), representing an increase of RM2.7 million or 54.0% as compared to the corresponding period of 2019, mainly due to improved gross profit margin in certain manufacturing subsidiaries as well as higher gross profit margin contributed by the Retail Division during the Period.

Other income/(expenses), net

For the Period, other income amounted to approximately RM3.6 million (2019: expense of RM0.2 million), representing an increase of RM3.8 million as compared to the corresponding period in 2019. The increase was mainly arising from the gain on disposal of a subsidiary of RM3.2 million (2019: RMNil) and net gain on foreign exchange of RM0.3 million (2019: loss of RM0.4 million).

Management Discussion and Analysis

Selling and Distribution Costs

The increase in selling and distribution costs of approximately RM1.8 million (2019: RM0.6 million) was mainly due to the selling and marketing expenses of RM1.8 million (2019: RMNil) incurred by the Retail Division during the Period.

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 RM5.2 million (2019: RM4.8 million), representing an increase of RM0.4 million or 8.3% as compared to the corresponding period in 2019. The increase was mainly due to the administrative expenses incurred by the PVC Subsidiaries.

Profit for the Period

For the Period, the profit amounted to RM2.7 million (2019: loss of RM1.2 million), representing a turnaround of approximately RM3.9 million as compared to the corresponding period in 2019. The profit was mainly arising from (i) the gain on disposal of a subsidiary of RM3.2 million (2019: RMNil); (ii) improved performance of certain manufacturing subsidiaries of the Company; and (iii) the Group's cessation to account for the financial results of PEWAV (VN), which made a loss of RM0.8 million for the corresponding period of 2019, in the Group's unaudited condensed consolidated financial statements during the Period. The overall profit of the Group was partially offset by the loss incurred by the Retail Division of RM1.6 million (2019: RM0.4 million) as the COVID-19 pandemic has affected the profitability of the Retail Division during the Period.

DIVIDEND

The Board does not declare the payment of any dividend for the Period (2019: Nil).

SHARE OPTION SCHEME

As at 31 March 2020, no share options had been granted under the share option scheme adopted by the Company on 20 September 2017.

Management Discussion and Analysis

FUTURE PROSPECTS AND OUTLOOK

The Manufacturing Division, after having felt the impact from the disruption of supply chain from the shutdown in the PRC due to COVID-19 outbreak, is currently facing a very challenging environment due to the unprecedented various forms of lockdown and movement restrictions order by various countries across the world, which has affected consumption severely.

The Movement Control Order implemented in Malaysia by the government has also disrupted our operations where our plants were temporarily closed. The low visibility in demand, unresolved trade war, volatility in currency, disruption in global supply chain and the intensifying regional business competition have also made our operating environment extremely challenging. International Monetary Fund also reported that the COVID-19 crisis is the Worst Economic Crisis since the Great Depression that took place in the 1930s. Global economy is expected to be much weaker in 2020 as a result of the outbreak of COVID-19 pandemic.

In view of the rapid change of global economy, the Manufacturing Division has taken steps to review the business strategies, revisit the market demand that is severely impacted by global demand and supply disruption to rationalise the pricing strategies, productivity improvement and cost structure which include overhead costs and expenses to ensure long term sustainability of the businesses. The Group is also constantly reviewing its portfolio and will continue to divest any current non-profitable entity if required to enhance its overall profitability and cash flow. In addition to the above, the Group will also evaluate any opportunities in investing into new potential business that may arise in this crisis.

The retail sector is suffering from further headwinds with the outbreak of COVID-19 pandemic. The visitor arrival numbers and overall consumption have deteriorated, and the retail outlook is expected to be extremely challenging. The situation has worsened since the announcement of circuit breaker period by Singapore government from 7 April to 1 June 2020 and the declaration of soft lockdown by Thailand government on 24 March 2020. During the current adverse climate, the Retail Division has negotiated with landlords for rental concessions, shorten store operational hours, and provided more marketing support for both retailer-driven promotions and mall-wide marketing initiatives. The Group hopes that with the holistic support from landlords as well as from the principal of Philipp Plein, exploring different sales channels such as digital retailing and social medias as well as cost-saving strategies would assist the Retail Division to overcome this challenging time.

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 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 as at the date of this report:

- (i) the Group has set up a risk management committee, comprising 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 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

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 2020, no arrangement, transaction or 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

As disclosed in the Company's announcement dated 3 January 2020, the Company and Shenwan Hongyuan Capital (H.K.) Limited have mutually agreed to terminate the compliance adviser's agreement with effect from 5 January 2020. Sunfund Capital Limited was appointed as the new compliance adviser of the Company (the "**Compliance Adviser**") with effect from 6 January 2020 in accordance with Rule 6A.19 of the GEM Listing Rules. The Compliance Adviser has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules.

As at 31 March 2020, as notified by the Compliance Adviser, except for the compliance adviser's agreement entered into between the Company and the Compliance Adviser on 5 January 2020 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 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 issued 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.

The INEDs 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 listed 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 2020, 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 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.

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 of securities (Note 2)	Approximate percentage of shareholding (Note 4)
Dato' Lim Heen Peok	PRG Holdings (Note 1)	Beneficial owner	108,800 shares (L)	0.03%
Dato' Lua Choon Hann	PRG Holdings (Note 1)	Beneficial owner	74,861,900 shares (L)	18.03%
		Interest of spouse	300,000 shares (L) (Note 3)	0.07%

Notes:

1. PRG Holdings is the holding company and the associated corporation of the Company within the meaning under Part XV of the SFO.
2. The letter "L" denotes the long position of the Director in the shares in PRG Holdings.
3. Dato' Lua Choon Hann was deemed to be interested in the shares in PRG Holdings held directly by his spouse under Part XV of the SFO.
4. The percentage of shareholding is calculated on the basis of 415,129,421 shares in PRG Holdings in issue as at 31 March 2020.

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 2020.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 31 March 2020, 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 the ordinary shares of HK\$0.10 each in the Company (the "Shares")

Name of Shareholder	Capacity/ Nature of interest	Number of securities (Note 1)	Approximate percentage of shareholding (Note 6)
PRG Holdings (Notes 2 and 3)	Beneficial owner	303,468,000 Shares (L)	54.19%
Tang Ka Ho	Security interest	259,880,000 Shares (L) (Note 4)	46.41%
Golden World Consultants Limited (" Golden World ")	Security interest	257,040,000 Shares (L) (Note 4)	45.90%
Jim Ka Man	Beneficial owner	56,000,000 Shares (L) (Note 5)	10.00%

Notes:

1. The letter "L" denotes the person's long position.
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 form filed by PRG Holdings, PRG Holdings provided an interest in 257,040,000 Shares as security to a person other than a qualified lender on 24 July 2019.
3. Dato' Lua Choon Hann, an executive Director, is the group executive vice chairman of PRG Holdings.

Other Information

4. According to the disclosures of interest forms respectively filed by Golden World (which is wholly owned or controlled by Tang Ka Ho) and Tang Ka Ho, Golden World had acquired a security interest over 257,040,000 Shares on 24 July 2019. Tang Ka Ho, who beneficially held 2,840,000 Shares, became interested and/or was deemed to be interested (by virtue of his controlling interest in Golden World), in aggregate, in 259,880,000 Shares under Part XV of the SFO.
5. According to the disclosure of interest form filed by Jim Ka Man, pursuant to the sales and purchase agreement entered into among the Company, Triumph Star Global Limited ("**Triumph Star**") and herself for the Acquisition, 56,000,000 Shares (as consideration shares) were issued to Triumph Star. Jim Ka Man, who is the ultimate beneficial owner interested in a 85% equity interest of Triumph Star, became interested and/or was deemed to be interested (by virtue of her controlling interest in Triumph Star) in 56,000,000 Shares under Part XV of the SFO.
6. The percentage of shareholding is calculated on the basis of 560,000,000 Shares in issue of the Company as at 31 March 2020.

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 enquiries to the Directors by the Company, 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.

REVIEW OF FINANCIAL STATEMENTS

The Company established an audit committee of the Board (the "**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 INEDs, namely, Mr. Ho Ming Hon, Dato' Sri Dr. Hou Kok Chung and Dato' Lee Chee Leong. Mr. Ho Ming Hon is the chairman of the Audit Committee.

Other Information

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 have been prepared in compliance with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

By order of the Board
FURNIWEB HOLDINGS LIMITED
Dato' Lim Heen Peok
Chairman

Malaysia, 14 May 2020

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, Dato' Lua Choon Hann and Mr. Cheah Hannon, and the INEDs are Mr. Ho Ming Hon, Dato' Sri Dr. Hou Kok Chung and Dato' Lee Chee Leong.

This report will remain on the "Latest Listed Company Information" 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>.