

# FURNIWEB HOLDINGS LIMITED

## 飛霓控股有限公司

(Incorporated in the Cayman Islands with limited liability)

**Stock Code : 8480**

**2020**  
INTERIM  
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 interim results of the Group for the six months ended 30 June 2020 (the “Period”), together with the unaudited comparative figures for the corresponding period in 2019, and certain comparative figures as at 31 December 2019, as follows:

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	Six months ended 30 June	
		2020 (Unaudited) RM'000	2019 (Unaudited) RM'000 Re-presented
<b>Continuing operations</b>			
<b>Revenue</b>	4	<b>44,433</b>	41,635
Cost of sales		<b>(30,923)</b>	(29,255)
<b>Gross profit</b>		<b>13,510</b>	12,380
Other income, net	5	<b>3,812</b>	291
Selling and distribution costs		<b>(4,751)</b>	(3,638)
Administrative expenses		<b>(9,079)</b>	(10,366)
Interest income		<b>320</b>	220
Finance costs	6	<b>(931)</b>	(318)
Share of profit of a joint venture, net of tax		<b>94</b>	78
Share of loss of an associate, net of tax		<b>(345)</b>	(400)
<b>Profit/(Loss) before income tax expense</b>	7	<b>2,630</b>	(1,753)
Income tax expense	8	<b>(666)</b>	(688)
<b>Profit/(Loss) for the period from continuing operations</b>		<b>1,964</b>	(2,441)
<b>Discontinued operation</b>			
Loss for the period from discontinued operation		–	(1,782)
<b>Profit/(Loss) for the period</b>		<b>1,964</b>	(4,223)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	Notes	2019 (Unaudited) RM'000 Re-presented
<b>Other comprehensive income/(expenses), net of tax</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
<b>Continuing operations</b>		
Realisation of reserves from disposal of a subsidiary	(1,382)	–
Exchange differences on translation of foreign operations	3,556	(449)
Share of other comprehensive income/(expense) of a joint venture	45	(15)
Share of other comprehensive income of an associate	11	39
Other comprehensive income/(expense), net of tax from continuing operations	2,230	(425)
<b>Discontinued operation</b>		
Other comprehensive expenses, net of tax from discontinued operation — exchange difference on translation of foreign operations	–	(43)
<b>Total other comprehensive income/(expense), net of tax</b>	<b>2,230</b>	<b>(468)</b>
<b>Total comprehensive income/(expense) for the period</b>	<b>4,194</b>	<b>(4,691)</b>
<b>Profit/(Loss) attributable to:</b>		
Owners of the Company		
— from continuing operations	1,964	(2,231)
— from discontinued operation	–	(1,782)
	1,964	(4,013)
Non-controlling interests		
— from continuing operations	–	(210)
	1,964	(4,223)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	Six months ended 30 June	
		2020 (Unaudited) RM'000	2019 (Unaudited) RM'000 Re-presented
<b>Total comprehensive income/(expense) attributable to:</b>			
Owners of the Company			
— from continuing operations		<b>4,194</b>	(2,650)
— from discontinued operation		–	(1,825)
		<b>4,194</b>	(4,475)
Non-controlling interests			
— from continuing operations		–	(216)
		<b>4,194</b>	(4,691)
<b>Earnings/(Loss) per share:</b>			
Basic and diluted (cents)	10		
— from continuing operations		<b>0.35</b>	(0.44)
— from discontinued operation		–	(0.35)
		<b>0.35</b>	(0.79)

# Unaudited Condensed Consolidated Statement of Financial Position

AS AT 30 JUNE 2020

	Notes	As at 30 June 2020 (Unaudited) RM'000	As at 31 December 2019 (Audited) RM'000
<b>Non-current assets</b>			
Property, plant and equipment	11	23,117	23,872
Rights-of-use assets		21,205	23,771
Intangible assets		33,562	32,957
Interest in a joint venture		1,249	1,111
Loan to an associate		4,835	4,622
Deferred tax assets		369	369
		<b>84,337</b>	86,702
<b>Current assets</b>			
Inventories		21,651	21,192
Trade and other receivables	12	47,168	54,479
Amount due from a joint venture		70	77
Amounts due from associates		5,297	4,324
Current tax recoverable		268	304
Time deposits maturing over three months		6,165	7,980
Cash and bank balances		19,293	13,669
Assets held for sale		–	15,171
		<b>99,912</b>	117,196
<b>Current liabilities</b>			
Trade and other payables	13	19,004	32,697
Contract liabilities		149	1,159
Bank borrowings	14	1,626	1,378
Lease liabilities		4,194	3,751
Current tax liabilities		3,076	2,513
Liabilities directly associated with the assets held for sale		–	8,066
		<b>28,049</b>	49,564
<b>Net current assets</b>		<b>71,863</b>	67,632
<b>Total assets less current liabilities</b>		<b>156,200</b>	154,334

# Unaudited Condensed Consolidated Statement of Financial Position

AS AT 30 JUNE 2020

	Notes	As at 30 June 2020 (Unaudited) RM'000	As at 31 December 2019 (Audited) RM'000
<b>Non-current liabilities</b>			
Bank borrowings	14	10,077	10,523
Lease liabilities		13,996	15,882
Provision for restoration costs		664	633
Deferred tax liabilities		1,810	1,837
		<b>26,547</b>	28,875
<b>NET ASSETS</b>			
		<b>129,653</b>	125,459
<b>Equity</b>			
Share capital	15	30,255	30,255
Reserves		99,398	95,204
<b>TOTAL EQUITY</b>			
		<b>129,653</b>	125,459

# Unaudited Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Exchange translation reserve RM'000	Retained earnings/ (Accumulated losses) RM'000	Equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total RM'000
<b>Balance as at 1 January 2019 (audited)</b>	27,285	3,609	42,208	(3,137)	28,697	98,662	-	98,662
Loss for the period	-	-	-	-	(4,013)	(4,013)	(210)	(4,223)
Exchange differences on translation of foreign operations	-	-	-	(486)	-	(486)	(6)	(492)
Share of other comprehensive expense of a joint venture, net of tax	-	-	-	(15)	-	(15)	-	(15)
Share of other comprehensive income of an associate, net of tax	-	-	-	39	-	39	-	39
Total comprehensive expense	-	-	-	(462)	(4,013)	(4,475)	(216)	(4,691)
<i>Transactions with owners</i>								
Issue of shares	2,970	71,286	-	-	-	74,256	-	74,256
Acquisition of a subsidiary with non-controlling interests	-	-	-	-	-	-	876	876
	2,970	71,286	-	-	-	74,256	876	75,132
<b>Balance as at 30 June 2019 (unaudited)</b>	30,255	74,895	42,208	(3,599)	24,684	168,443	660	169,103
<b>Balance as at 1 January 2020 (audited)</b>	30,255	80,824	42,208	(5,292)	(22,536)	125,459	-	125,459
Profit for the period	-	-	-	-	1,964	1,964	-	1,964
Realisation of reserves from disposal of a subsidiary	-	-	(2,775)	1,393	-	(1,382)	-	(1,382)
Exchange differences on translation of foreign operations	-	-	-	3,556	-	3,556	-	3,556
Share of other comprehensive income of a joint venture, net of tax	-	-	-	45	-	45	-	45
Share of other comprehensive income of an associate, net of tax	-	-	-	11	-	11	-	11
Total comprehensive income	-	-	(2,775)	5,005	1,964	4,194	-	4,194
<b>Balance as at 30 June 2020 (unaudited)</b>	30,255	80,824	39,433	(287)	(20,572)	129,653	-	129,653



# Unaudited Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	Six months ended 30 June	
		2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Net cash generated from/(used in) operating activities		<b>3,794</b>	(3,441)
Net cash generated from/(used in) investing activities		<b>1,553</b>	(3,547)
Net cash used in financing activities		<b>(2,084)</b>	(861)
Net increase/(decrease) in cash and cash equivalents		<b>3,263</b>	(7,849)
Cash and cash equivalents at beginning of period		<b>13,285</b>	30,758
Bank balances reclassified to assets held for sale at beginning of period		<b>1,640</b>	–
Effect of exchange rate changes		<b>601</b>	(207)
Cash and cash equivalents at the end of period		<b>18,789</b>	22,702
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		<b>19,293</b>	23,648
Bank overdraft	14	<b>(504)</b>	(946)
		<b>18,789</b>	22,702

# 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 KPB9, 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 and polyvinyl chloride (“**PVC**”) related products, and retail sale of garment products. 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 interim financial statements have been prepared in accordance with International Financial Reporting Standard (“**IFRS**”) 34 — Interim Financial Reporting, issued by the International Accounting Standards Board (“**IASB**”) and the applicable disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost basis.

The unaudited condensed consolidated interim 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 interim 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 *Interest Rate Benchmark Reform*

IFRS 7

The adoption of the above accounting standards and amendments did not have any significant effects on the unaudited condensed consolidated interim 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 and 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 interim 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

## Six months ended 30 June 2020 (unaudited)

	Continuing operations			Discontinued operation		Total RM'000
	Manufacturing RM'000	Retail RM'000	Others RM'000	Sub-total RM'000	Manufacturing RM'000	
<b>Revenue</b>						
Total revenue	43,037	1,259	137	44,433	-	44,433
Inter-segment revenue	-	-	-	-	-	-
Revenue from external customers	43,037	1,259	137	44,433	-	44,433
<b>Results</b>						
Operating profit/(loss)	8,127	(3,154)	(1,481)	3,492	-	3,492
Interest income	320	-	-	320	-	320
Finance costs	(305)	(621)	(5)	(931)	-	(931)
Share of profit of a joint venture, net of tax	94	-	-	94	-	94
Share of loss of an associate, net of tax	(345)	-	-	(345)	-	(345)
Profit/(Loss) before income tax expense	7,891	(3,775)	(1,486)	2,630	-	2,630
Income tax expense	(666)	-	-	(666)	-	(666)
Profit/(Loss) for the period	7,225	(3,775)	(1,486)	1,964	-	1,964
Non-controlling interests	-	-	-	-	-	-
Attributable to owners of the parent	7,225	(3,775)	(1,486)	1,964	-	1,964
<b>Other segment information:</b>						
Amortisation and depreciation	(1,436)	(2,241)	(63)	(3,740)	-	(3,740)

# Notes to the Financial Information

## Six months ended 30 June 2019 (unaudited) (re-presented)

	Manufacturing RM'000	Continuing operations			Sub-total RM'000	Discontinued operation	Total RM'000
		Retail RM'000	Others RM'000	Manufacturing RM'000			
<b>Revenue</b>							
Total revenue	39,746	1,954	-	41,700	8,939	50,639	
Inter-segment revenue	(65)	-	-	(65)	(78)	(143)	
Revenue from external customers	39,681	1,954	-	41,635	8,861	50,496	
<b>Results</b>							
Operating profit/(loss)	3,946	(2,740)	(2,539)	(1,333)	(1,608)	(2,941)	
Interest income	203	1	16	220	1	221	
Finance costs	(317)	-	(1)	(318)	(175)	(493)	
Share of profit of a joint venture, net of tax	78	-	-	78	-	78	
Share of loss of an associate, net of tax	(400)	-	-	(400)	-	(400)	
Profit/(Loss) before income tax expense	3,510	(2,739)	(2,524)	(1,753)	(1,782)	(3,535)	
Income tax expense	(688)	-	-	(688)	-	(688)	
Profit/(Loss) for the period	2,822	(2,739)	(2,524)	(2,441)	(1,782)	(4,223)	
Non-controlling interests	-	210	-	210	-	210	
Attributable to owners of the parent	2,822	(2,529)	(2,524)	(2,231)	(1,782)	(4,013)	
<b>Other segment information:</b>							
Amortisation and depreciation	(787)	(241)	(11)	(1,039)	(861)	(1,900)	

# 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.

	Continuing operations		Six months ended 30 June Discontinued operation		Total	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
	<b>Revenue from external customers</b>					
Asia Pacific	33,100	28,013	–	7,841	33,100	35,854
Europe	3,328	4,538	–	1,020	3,328	5,558
North America	7,435	8,818	–	–	7,435	8,818
Others	570	266	–	–	570	266
<b>Total</b>	<b>44,433</b>	<b>41,635</b>	<b>–</b>	<b>8,861</b>	<b>44,433</b>	<b>50,496</b>

## (c) Information about major customers

During the Period, the Group generated revenue from transactions with a single external customer from elastic textile segment of RM6,420,000 (2019: RM6,238,000) contributing over 10% of the total revenue of the Group.

All revenue from customers during the period ended 30 June 2020 and 2019 were recognised at point in time.

# Notes to the Financial Information

## 4. REVENUE

	Continuing operations		Six months ended 30 June		Discontinued operation		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Elastic textile	14,388	16,603	–	8,861	14,388	25,464		
Webbing	15,703	17,495	–	–	15,703	17,495		
PVC related products and other products	12,886	5,583	–	–	12,886	5,583		
Garment products	1,259	1,954	–	–	1,259	1,954		
Others	197	–	–	–	197	–		
<b>Total</b>	<b>44,433</b>	<b>41,635</b>	<b>–</b>	<b>8,861</b>	<b>44,433</b>	<b>50,496</b>		

## 5. OTHER INCOME/(EXPENSE), NET

	Continuing operations		Six months ended 30 June		Discontinued operation		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gain/(Loss) on foreign exchange, net								
— realised	372	(38)	–	–	372	(38)		
— unrealised	(72)	6	–	(33)	(72)	(27)		
Commission income	116	117	–	–	116	117		
Gain on disposal of a subsidiary	3,249	–	–	–	3,249	–		
Gain on disposal of property, plant and equipment	46	59	–	–	46	59		
Sales of scrap	13	22	–	2	13	24		
Others	88	125	–	5	88	130		
<b>Total</b>	<b>3,812</b>	<b>291</b>	<b>–</b>	<b>(26)</b>	<b>3,812</b>	<b>265</b>		

# Notes to the Financial Information

## 6. FINANCE COSTS

	Continuing operations		Six months ended 30 June Discontinued operation		Total	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
	Interest on bank overdrafts	9	14	-	-	9
Interest on bank borrowings	313	235	-	137	313	372
Interest on lease liabilities	585	69	-	38	585	107
Others	24	-	-	-	24	-
<b>Total</b>	<b>931</b>	<b>318</b>	<b>-</b>	<b>175</b>	<b>931</b>	<b>493</b>

## 7. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

The Group's profit/(loss) before income tax expense is stated after charging/(crediting) the following:

	Continuing operations		Six months ended 30 June Discontinued operation		Total	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
	Auditor's remuneration	197	188	-	13	197
Amortisation of intangible assets	429	3	-	5	429	8
Depreciation of property, plant and equipment	1,371	804	-	819	1,371	1,623
Depreciation of right-of-use assets	1,940	232	-	37	1,940	269
Gain on disposal of a subsidiary	3,249	-	-	-	3,249	-
Gain on disposal of property, plant and equipment	(46)	(59)	-	-	(46)	(59)
Impairment loss on trade receivables	-	-	-	5	-	5
Interest income from:						
— fixed deposits	(237)	(116)	-	-	(237)	(116)
— bank balances	(11)	(35)	-	(1)	(11)	(36)
— advance to an associate	(72)	(69)	-	-	(72)	(69)
Inventories written down	-	235	-	-	-	235
Property, plant and equipment written off	1	-	-	-	1	-
Reversal of inventories written down	(350)	(2)	-	-	(350)	(2)
Rental expenses on building	142	117	-	-	142	117
Employee costs included in:						
— cost of sales	5,837	5,738	-	3,018	5,837	8,756
— selling and distribution costs	472	339	-	104	472	443
— administrative expenses	6,603	6,463	-	262	6,603	6,725



# Notes to the Financial Information

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
<b>Continuing operations:</b>		
Current tax expense		
— Malaysian income tax	186	105
— Overseas income tax	544	583
	730	688
Deferred tax		
— current year	(64)	—
	666	688

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 six months ended 30 June 2020 and 2019.

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

## 9. DIVIDENDS

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

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

# Notes to the Financial Information

## 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:

	Six months ended 30 June	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
<b>Earnings/(Loss)</b>		
Profit/(Loss) for the period attributable to owners of the Company		
— from continuing operations	1,964	(2,231)
— from discontinued operation	–	(1,782)
	<b>1,964</b>	<b>(4,013)</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue during the Period	<b>560,000,000</b>	504,928,177

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 30 June 2020 and 2019.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the Period, additions to property, plant and equipment amounted to RM0.2 million (during the six months ended 30 June 2019: RM6.1 million).

# Notes to the Financial Information

## 12. TRADE AND OTHER RECEIVABLES

	<b>As at 30 June 2020 (Unaudited) RM'000</b>	As at 31 December 2019 (Audited) RM'000
Trade receivables	<b>25,393</b>	39,417
Less: Allowance for impairment losses	<b>(198)</b>	(226)
	<b>25,195</b>	39,191
Prepayment, deposit and other receivables	<b>17,957</b>	11,858
Loan receivables	<b>4,016</b>	3,430
	<b>47,168</b>	54,479

Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 days to 90 days from invoice date. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

The ageing analysis of trade receivables, based on invoice dates and before allowance for impairment losses, as at 30 June 2020 and 31 December 2019 are as follows:

	<b>As at 30 June 2020 (Unaudited) RM'000</b>	As at 31 December 2019 (Audited) RM'000
Within 30 days	<b>6,434</b>	11,323
31 to 60 days	<b>2,485</b>	10,431
61 to 90 days	<b>2,366</b>	4,791
91 to 180 days	<b>3,392</b>	11,392
Over 180 days	<b>10,716</b>	1,480
	<b>25,393</b>	39,417

# Notes to the Financial Information

## 13. TRADE AND OTHER PAYABLES

	<b>As at 30 June 2020 (Unaudited) RM'000</b>	As at 31 December 2019 (Audited) RM'000
Trade payables	<b>7,852</b>	21,118
Bills payable	<b>1,529</b>	1,020
Other payables	<b>9,623</b>	10,559
	<b>19,004</b>	32,697

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from one month to three months from invoice date.

The ageing analysis of trade and bills payables, based on invoice dates, as at 30 June 2020 and 31 December 2019 are as follows:

	<b>As at 30 June 2020 (Unaudited) RM'000</b>	As at 31 December 2019 (Audited) RM'000
Within 30 days	<b>2,323</b>	5,015
31 to 60 days	<b>1,100</b>	6,587
61 to 90 days	<b>1,669</b>	3,428
Over 90 days	<b>4,289</b>	7,108
	<b>9,381</b>	22,138

# Notes to the Financial Information

## 14. BANK BORROWINGS

	<b>As at 30 June 2020 (Unaudited) RM'000</b>	As at 31 December 2019 (Audited) RM'000
Term loans (secured)	11,199	11,517
Bank overdraft (secured)	504	384
	<b>11,703</b>	11,901
Borrowings are repayable as follows:		
— within one year	1,626	1,378
— after one year but within two years	1,179	1,550
— after two years but within five years	940	943
— after five years	7,958	8,030
	<b>11,703</b>	11,901
Less: Amount due within one year included in current liabilities	1,626	1,378
Amount included in non-current liabilities	<b>10,077</b>	10,523

## 15. SHARE CAPITAL

	Number '000	Amount HK\$'000	
Ordinary shares of HK\$0.1 each			
<b>Authorised</b>			
<b>At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020</b>			
	<b>1,000,000</b>	<b>100,000</b>	
	Number '000	Amount HK\$'000	Amount RM'000
<b>Issued and fully paid</b>			
At 1 January 2019	504,000	50,400	27,285
Issue of new shares (Note)	56,000	5,600	2,970
<b>At 31 December 2019, 1 January 2020 and 30 June 2020</b>			
	<b>560,000</b>	<b>56,000</b>	<b>30,255</b>

# Notes to the Financial Information

Note: On 12 March 2019, the Company entered into the sale and purchase agreement with Triumph Star Global Limited (the "Vendor") to acquire the entire issued share capital of Meinaide Holdings Group Limited for the consideration of its allotment and issue of 56,000,000 new shares in the Company (the "Consideration Shares"), credited as fully paid, at HK\$2.50 per Consideration Share to the Vendor upon completion that took place on 28 June 2019. The fair value of each Consideration Share as at 28 June 2019 was HK\$2.70.

## 16. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in the unaudited condensed consolidated interim financial statements, the Group had the following transactions with related parties during the Period:

Name of related party	Relationship	Nature of transactions	Six months ended 30 June	
			2020	2019
			(Unaudited) RM'000	(Unaudited) RM'000
Trunet (Vietnam) Co., Ltd.	Joint venture	Sales of goods	390	596
		Sales of services	102	98
		Purchases of materials	(89)	(4)
		Purchase of goods	-	(21)
		Commission received/ receivable	42	44
		Rental income	52	50
		Dividend received	-	205
Furnitech Components (Vietnam) Co., Ltd.	Associate	Interest income	140	69
		Commission income	70	73
		Business development fee	77	105
		Sales of goods	42	2
		Rental expense	-	(24)
		Purchase of goods	(36)	(135)

The related party transactions described above were carried out based on negotiated terms and conditions agreed with related parties. None of these related party transactions constituted connected transaction and/or continuing connected transaction (as the case may be) as defined under Chapter 20 of the GEM Listing Rules.

# Notes to the Financial Information

**(b) Compensation of key management personnel**

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise).

The remuneration of Directors during the Period was as follows:

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>(Unaudited)</b> <b>RM'000</b>	2019 (Unaudited) RM'000
Fee	<b>149</b>	161
Salaries, allowances and other benefits	<b>1,103</b>	1,051
Discretionary bonus	<b>94</b>	150
Contributions to defined contribution plans	<b>223</b>	220
	<b>1,569</b>	1,582

**17. CAPITAL COMMITMENTS**

	<b>As at</b> <b>30 June</b> <b>2020</b> <b>(Unaudited)</b> <b>RM'000</b>	As at 31 December 2019 (Audited) RM'000
Commitments for the acquisition of property, plant and equipment:		
Contracted for but not provided	<b>265</b>	-

# Notes to the Financial Information

## 18. CONTINGENT LIABILITIES

	<b>As at 30 June 2020 (Unaudited) RM'000</b>	As at 31 December 2019 (Audited) RM'000
Corporate guarantee given to a bank for credit facilities granted to an associate — unsecured		
— Limit of guarantee	<b>2,140</b>	2,046
— Amount utilised	<b>1,918</b>	2,046

At the end of the reporting period, the Directors did not consider it probable that a claim would be made against the Group under the above guarantee.

The fair value of the cross guarantee at date of inception is not material and is not recognised in the unaudited condensed consolidated interim financial statements.



# 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 has 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 interim financial statements during the Period.

The revenue from the Manufacturing Division for the Period was approximately RM43.0 million, increased by approximately RM3.3 million or 8.3% as compared to the corresponding period of 2019.

During the Period, domestic sales and export sales accounted for approximately 47.7% and 52.3% (2019: 37.7% and 62.3%) of the total revenue from the Manufacturing Division, 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 33.4%, 36.5% and 30.1% (2019: 41.8%, 44.1% and 14.1%) of the total revenue from the Manufacturing Division 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 RM14.4 million, decreased by RM2.2 million or 13.3% as compared to the corresponding period of 2019, mainly due to the decrease in sales volume from customers in Asia Pacific region, Europe and North America during the Period.

**(ii) Webbing**

For the Period, the revenue of webbing was approximately RM15.7 million, decreased by RM1.8 million or 10.3% as compared to the corresponding period of 2019. This was mainly attributable to the decrease 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 RM12.9 million, increased by RM7.3 million or 130.4% as compared to the corresponding period of 2019, mainly due to the completion of the Acquisition on 28 June 2019. The PVC Subsidiaries contributed revenue of approximately RM8.4 million to the Group for the Period (2019: RMNil).

The overall performance of the Manufacturing Division was sluggish in the second quarter of year 2020, mainly due to the lockdown and movement restrictions order implemented by various countries under the Novel Corona Virus Disease-2019 (“**COVID-19**”) pandemic which has affected the global consumption severely.

**(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 and 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.

# Management Discussion and Analysis

For the Period, the revenue of the Retail Division was approximately RM1.3 million (2019: RM2.0 million), decreased by RM0.7 million or 35.0% as compared to the corresponding period of 2019, mainly due to the outbreak of the COVID-19 pandemic, which led to a decrease in the tourists arrival and the deterioration of overall consumption during the Period. Further, the store in Singapore was temporarily closed for 2 months in the second quarter of 2020 under the 'circuit breaker' implemented by the Singapore government, during which no revenue was generated.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the Period amounted to approximately RM44.4 million, representing an increase of RM2.8 million or 6.7% as compared to the corresponding period of 2019.

A majority of the Group's revenue was contributed by the Manufacturing Division, which accounted for approximately 96.9% (2019: 95.3%) of the total revenue for the Period.

Revenue from the Manufacturing Division increased by approximately RM3.4 million, mainly due to additional revenue contributed by the PVC Subsidiaries of approximately RM8.4 million (2019: RMNil) offset by the decrease in sales volume for elastic textile, webbing and other manufacturing products during the Period as compared to the corresponding period of 2019.

During the Period, the Retail Division also contributed revenue of approximately RM1.3 million to the Group (representing 2.9% of total revenue) (2019: RM2.0 million) 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 approximately RM30.9 million (2019: RM29.3 million), representing an increase of RM1.6 million or 5.5% as compared to the corresponding period of 2019. The increase in 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 RM13.5 million (2019: RM12.4 million), representing an increase of RM1.1 million or 8.9% as compared to the corresponding period of 2019, mainly due to improved gross profit margin in certain manufacturing subsidiaries during the Period.

# Management Discussion and Analysis

## Other Income, net

For the Period, the other income of the Group amounted to approximately RM3.8 million (2019: RM0.3 million), representing an increase of RM3.5 million as compared to the corresponding period of 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 RM0.04 million).

## Selling and Distribution Costs

For the Period, the selling and distribution costs of the Group amounted to approximately RM4.8 million (2019: RM3.6 million), representing an increase of approximately RM1.2 million or 33.3% as compared to the corresponding period of 2019. The increase was mainly due to the selling and marketing expenses of RM0.7 million (2019: RMNil) incurred by the PVC Subsidiaries during the Period and higher selling and marketing costs incurred by the Retail Division as compared to the corresponding period of 2019 as the first “**Philipp Plein**” flagship store was opened in April 2019.

## 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 RM9.1 million (2019: RM10.4 million), representing a decrease of RM1.3 million or 12.5% as compared to the corresponding period in 2019. The decrease was mainly due to the one-off professional fee of RM1.5 million (2020: RMNil) in relation to the acquisition of the PVC Subsidiaries in 2019 offset with the administrative expenses incurred by the PVC Subsidiaries during the Period (2019: RMNil).

## Profit for the Period

For the Period, the profit amounted to RM2.0 million (2019: loss of RM2.4 million), representing a turnaround of approximately RM4.4 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) lower professional fee incurred during the Period as compared to corresponding period of 2019; and (iii) improved performance of certain manufacturing subsidiaries of the Company.

The overall profit of the Group was partially offset by the loss incurred by the Retail Division of RM3.8 million (2019: RM2.5 million) as the COVID-19 pandemic has affected the performance of the Retail Division during the Period.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's primary uses of cash are to satisfy our working capital and capital expenditure needs. Since our establishment, our working capital needs and capital expenditure requirements have been principally financed through a combination of shareholders' equity, cash generated from operations, trade facilities and bank loans.

The Group adopts a prudent cash and financial management policy. The Group's cash, mainly denominated in United States Dollar ("USD"), RM, Hong Kong Dollar ("HK\$"), Vietnamese Dong ("VND"), Singapore Dollar ("SGD") and Renminbi ("RMB"), are generally deposited with certain financial institutions such as banks. The Group's borrowings are mainly denominated in USD, RM, VND and SGD.

As at 30 June 2020, the Group's total equity attributable to owners of the Company amounted to RM129.7 million (As at 31 December 2019: RM125.5 million).

As at 30 June 2020, the Group's net current assets were approximately RM71.9 million (As at 31 December 2019: RM67.6 million) and the Group had cash and bank balances of approximately RM19.3 million (As at 31 December 2019: RM13.7 million). The Group had bank borrowings of approximately RM11.7 million (As at 31 December 2019: RM11.9 million).

The interest rates of the Group's term loan and bank overdraft as at 30 June 2020 and 31 December 2019 ranged from 3.72% to 7.89% and 4.72% to 8.89% per annum respectively.

As at 30 June 2020, the Group's current ratio (calculated by dividing current assets by current liabilities as at the end of the Period) was approximately 3.6 times (As at 31 December 2019: 2.4 times). The Group's gearing ratio (calculated by dividing total bank borrowings by total equity as at the end of the Period and then multiplying by 100%) was approximately 9.0% (As at 31 December 2019: 9.5%).

Based on the Group's existing cash and cash equivalents and banking facilities available to the Group, the Group has adequate financial resources to fund the working capital required for its business operations in the coming period.

## CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the Period. The share capital of the Company only comprises ordinary shares.

# Management Discussion and Analysis

## DIVIDEND

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

## SIGNIFICANT INVESTMENT HELD BY THE GROUP

As at 30 June 2020, there was no significant investment held by the Group (2019: Nil).

## MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 10 January 2020, the Group entered into the Capital Transfer Agreement with 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 PEWAV (VN) 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.

Other than as disclosed above, the Group does not have any material acquisition and disposal of subsidiaries, associate and joint ventures during the Period.

## PLEDGE OF ASSETS

As at 30 June 2020 and 31 December 2019, freehold land, long term leasehold land, buildings and certain plant and machinery, right-of-use assets and time deposits maturing over three months of the Group with an aggregate carrying amount of RM15.6 million and RM23.1 million (including PEWAV (VN) of RM6.1 million) respectively were pledged to licensed banks as security for credit facilities granted to the Group.

## FUTURE PLAN FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed in this report, the Group does not have other plans for material investments and capital assets for the year ending 31 December 2020 as at the date of this report.

# Management Discussion and Analysis

## CONTINGENT LIABILITY

As at 30 June 2020, the contingent liability of the Group is related to an unsecured corporate guarantee given to a bank for credit facilities granted to an associate of RM1.9 million (As at 31 December 2019: RM2.0 million).

At the end of the reporting period, the Directors did not consider it probable that a claim would be made against the Group under the above guarantee.

## CAPITAL COMMITMENTS

As at 30 June 2020, the capital commitments of the Group for the acquisition of property, plant and equipment amounted to RM0.3 million (31 December 2019: RMNil).

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group employed 544 employees (2019: 827 employees of which 296 employees were staff of PEWAV (VN) which ceased to be a subsidiary of the Group during the Period). Employee costs amounted to approximately RM12.9 million for the Period (2019: approximately RM15.9 million (including PEWAV (VN) of RM3.4 million)). The Group will endeavor to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' remuneration is determined based on their performance. The Company has also adopted a share option scheme (the "**Share Option Scheme**") with the primary purpose to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Company. As at 30 June 2020, no share options had been granted under the Share Option Scheme.

The Group aspires to develop and grow with our employees and is willing to invest in both work-related training and personal development of our employees. In general, the Group provides diversified on-the-job trainings based on the needs of respective positions, talents and interests of employees. The Group provides both internal and external trainings for employees, including specialised trainings for different departments on management skills as well as soft skills. Moreover, the Group established guidelines to assess the performance of our employees and implement development programs for our employees.

## SHARE OPTION SCHEME

As at 30 June 2020, no share options had been granted under the Share Option Scheme.

# Management Discussion and Analysis

## FOREIGN CURRENCY RISK

The Group derives a significant portion of its revenue in USD from the business with its international counterparts. The Group had a net USD exposure arising from the income after settling the purchases. While the Group adopted RM as the reporting currency, some of the assets and liabilities such as trade receivables and payables were denominated in other currencies, such as USD. From time to time, the Group has a net position in such currencies. These foreign currency balances are revalued at each accounting year or period end with the then prevailing exchange rate and may give rise to translational foreign currency exchange gain or loss. The Directors will consult the bankers from time to time for the upcoming trends of foreign currencies. In case our Directors hold the view that USD may depreciate against RM and VND, the Group may consider taking steps to hedge the foreign currency exposures, including entering into hedging with financial instruments. The Group may also negotiate with customers to increase the price of products to reduce the impact on the Group's profitability.

## SUBSEQUENT EVENT

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2020 and up to the date of this report.

## COMPARISON OF BUSINESS OBJECTIVES AND STRATEGIES WITH ACTUAL BUSINESS PROGRESS

The principal business objective of the Group as set out in the prospectus (the "**Prospectus**") of the Company dated 29 September 2017 in connection with the listing of the shares of the Company on GEM (the "**Listing**") is to enhance our market share in the elastic textile and webbing industry and continue to strengthen our competitive strengths.

On 17 December 2019, the Board has resolved to change the use of approximately RM7.3 million (equivalent to approximately HK\$13.5 million) out of the unutilised Listing Proceeds (as defined below) amounting to approximately RM12.8 million (equivalent to approximately HK\$23.6 million) (the "**Unutilised Listing Proceeds**") for (i) acquiring (the "**Potential Acquisition**") the entire issued shares (the "**Sale Shares**") of RSI Securities Limited (the "**RSI**") at a cash consideration of HK\$8.5 million; and (ii) granting a term loan facility in the amount up to HK\$5.0 million to RSI. Further details in relation to the Potential Acquisition were disclosed in the announcement of the Company dated 17 December 2019.



# Management Discussion and Analysis

An analysis comparing the aforesaid business objectives and the intended application of the net proceeds raised from the share offer in October 2017 (the "Listing Proceeds") with the Group's actual business progress for the period from the date of the Listing to 30 June 2020 is set out below:

Business strategies	Implementation plans	Sources of funding	Actual business progress up to 30 June 2020
(i) Expand our production capacity	Expand the production capacity for narrow elastic fabrics, covered elastic yarn and seat belt webbing to cater for the growing demand for these products by constructing a new factory in Vietnam and acquiring new machines.	Listing Proceeds of approximately RM10.3 million (equivalent to HK\$18.9 million)	<ul style="list-style-type: none"> <li>— Acquired machineries for narrow elastic fabric, covered elastic yarn and seat belt webbing of RM5.4 million. Further, the Group has also upgraded certain machines for rubber tape, fire protection and lighting system of RM0.6 million.</li> <li>— Due to uncertainty of the market condition and stiff competition in Vietnam, the performance of narrow elastic fabric in the Vietnam market was below expectation. In light of the above, the Directors are of the view that portion of the unutilised Listing Proceeds that was initially intended for the use of expanding the production capacity of PEWAV (VN) shall be reallocated to other investment opportunities. Further details in relation to the reallocation were disclosed in the announcement of the Company dated 17 December 2019. Acquisition schedule of certain machines such as weaving, cutting and covering machines was also delayed and will be adjusted by the management of the Group based on market demand and outlook from time to time.</li> </ul>
(ii) Upgrade our information technology systems	Upgrade enterprise resource planning ("ERP") system	Listing Proceeds of approximately RM1.1 million (equivalent to HK\$2.0 million)	<ul style="list-style-type: none"> <li>— Acquired a Manufacturing Execution System ("MES") software to improve the operation and control over our production system. The management is evaluating the performance of the MES software and may extend its application to other operations of the Group.</li> <li>The management is considering the proposals to upgrade the accounting systems and their effective integration with MES software.</li> <li>— The management considers the foregoing action plans as a substitute to the single ERP system is more efficient and cost effective.</li> </ul>

# Management Discussion and Analysis

Business strategies		Implementation plans	Sources of funding	Actual business progress up to 30 June 2020
(iii)	Potential acquisition of RSI and granting of the credit facility <i>(Note)</i>	Acquisition of the entire issued shares of RSI; and the Company to grant a term loan facility in the amount up to RM2.7 million (equivalent to HK\$5.0 million) to RSI	Listing Proceeds of approximately RM7.3 million (equivalent to HK\$13.5 million)	— As at 30 June 2020, RM3.0 million (equivalent to HK\$5.5 million) was paid as deposit for the Potential Acquisition. The remaining balance is expected to be paid in the third quarter of year 2020 upon completion and satisfaction of all the conditions in the agreement entered into between the Group and RSI Capital Limited.

Note: Business strategies undertaken which were not stated in the Prospectus.

Apart from the foregoing business objectives, the Group also ventured into retail business in 2018 and manufacture of PVC related products in 2019. Details of the Group's segmental performances and business plans are set out in the paragraphs headed "**Business Review**" in this section.

In the event that any part of the business strategies of our Group does not materialise or proceed as planned, our Directors will carefully evaluate the situation and may reallocate the intended funding to other business plans and/or to new projects of our Group and/or to hold the funds as short-term interest bearing deposits so long as our Directors consider it to be in the best interest of our Company and our shareholders taken as a whole.

# Management Discussion and Analysis

## USE OF PROCEEDS

The Listing Proceeds, after deducting underwriting fees and other expenses payable by the Group in connection thereto, were approximately HK\$35.6 million (or RM19.3 million at the exchange rate of approximately RM1.00 to HK\$1.84). The intended application of these proceeds as stated in the Prospectus (and as revised in the announcement of the Company dated 17 December 2019) and their actual application from the date of the Listing up to 30 June 2020 were set out below:

	Planned use of Listing Proceeds as stated in the Prospectus	Reallocation of use of Listing Proceeds on 17 December 2019 (Note (a))	After reallocation of use of Listing Proceeds on 17 December 2019	Actual use of Listing Proceeds up to 30 June 2020 (Note (b))	Unutilised amount as at 30 June 2020 (Note (c))	Expected timeline for utilising the unutilised proceeds
	RM'million	RM'million	RM'million	RM'million	RM'million	
Expand our production capacity	17.6	(7.3)	10.3	(6.0)	4.3	On or before 31 December 2022 (Note (d))
Upgrade our information technology systems	1.1	-	1.1	(0.1)	1.0	On or before 31 December 2022 (Note (d))
Funding of our working capital and general corporate purposes	0.6	-	0.6	(0.6)	-	
Potential acquisition of RSI and granting of the credit facility	-	7.3	7.3	(3.0)	4.3	On or before 31 December 2020
	19.3	-	19.3	(9.7)	9.6	

# Management Discussion and Analysis

Notes:

- (a) On 17 December 2019, the Board has resolved to change the use of approximately RM7.3 million (equivalent to approximately HK\$13.5 million) out of the Unutilised Listing Proceeds for (i) the Potential Acquisition of the Sale Shares of RSI; and (ii) the Company to grant a term loan facility in the amount up to RM2.7 million (equivalent to HK\$5.0 million) to RSI.
- (b) Please refer to the section headed “**Comparison of business objectives and strategies with actual business progress**” in this report for the update of the actual business progress up to 30 June 2020.
- (c) The unutilised proceeds are deposited in licensed banks.
- (d) The expected timeline for utilising the unutilised proceeds is based on the best estimation of the present and future business market conditions by the Board. The Board has considered several factors such as disruption of supply chain and low visibility in demand resulted from the outbreak of COVID-19 pandemic early this year which has no sign that would be under control in the near future as well as unresolved trade dispute among the PRC, the United States and other countries. The Company is unable to assess the degree of certainty and cannot assure its shareholders that the unutilised proceeds as at 30 June 2020 will be fully utilised in accordance with the above expected timeline. The Company will continue to monitor closely the business environment and to revise its business expansion plans, as appropriate, and disclose any further corresponding change in application and timeline of utilisation of its unutilised proceeds pursuant to the requirements of the GEM Listing Rules.

## FUTURE PROSPECTS AND OUTLOOK

The Manufacturing Division is currently facing a very challenging environment as a result of the unprecedented various forms of lockdown and movement restrictions order by various countries across the world, which has affected consumption severely. Further, several countries have recorded a second wave or third wave of the COVID-19. 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. 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 currently 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.

# Management Discussion and Analysis

The retail segment 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 closure of store in Singapore in April 2020 for two months to curb the spread of COVID-19. During the current adverse climate, the Retail Division has negotiated with landlords for rental concessions, shortened 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.

## 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 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 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 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;

## Management Discussion and Analysis

- (ii) the Group will evaluate sanctions risks prior to determining whether the Group should embark on any business opportunities in a Sanctioned Country or with Sanctioned Persons; and
- (iii) as and when the risk management committee considers necessary, the Group will retain an external International Sanctions legal adviser with necessary expertise and experience in International Sanctions matters for recommendations and advice. During the Period, the risk management committee did not identify any exposure to sanctions risks by the Group which it considered necessary for the Group to retain an external International Sanctions legal adviser.

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

## Other Information

### **CORPORATE GOVERNANCE PRACTICES**

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

On 10 March 2020, following Dato' Sri Wee Jeck Seng's resignation as the independent non-executive Director, chairman of the remuneration committee and a member of each of the audit committee (the "**Audit Committee**"), nomination committee and risk management committee of the Board, there were only two independent non-executive Directors in the Board and only two members in the Audit Committee as additional time was required to identify suitable candidate. On 25 March 2020, the Board has appointed Dato' Lee Chee Leong as the independent non-executive Director, chairman of the remuneration committee and a member of each of Audit Committee, nomination committee and risk management committee of the Board.

Save as disclosed above, 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 30 June 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.

## Other Information

### 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 30 June 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.

### 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.



## Other Information

- \* 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 had provided a written confirmation to the Company that it had complied with the Deed of Non-Competition for the Period and there was no matter in relation to their compliance with or enforcement of the Deed of Non-Competition that needed to be brought to the attention of the Stock Exchange, the Company and/or the Shareholders.

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

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

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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

## Other Information

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

As at 30 June 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.

#### (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	33,973,900 shares (L)	8.13%
		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 417,857,221 shares in PRG Holdings in issue as at 30 June 2020.

## Other Information

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 30 June 2020.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 30 June 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 and class of securities (Note 1)	Approximate percentage of shareholding (Note 7)
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) (Notes 4 and 5)	45.90%
Jim Ka Man	Beneficial owner	56,000,000 Shares (L) (Note 6)	10.00%

Notes:

1. The letter "L" denotes the person's long position 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 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.

## Other Information

3. Dato' Lua Choon Hann, an executive Director, is the group executive vice chairman of PRG Holdings.
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 with the Stock Exchange, 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. Subsequent to 30 June 2020 and as at the date of this report, according to the disclosure of interest form filed by Golden World with the Stock Exchange, Golden World ceased to have a security interest in the 257,040,000 Shares on 10 July 2020.
6. 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.
7. The percentage of shareholding is calculated on the basis of 560,000,000 Shares in issue of the Company as at 30 June 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.

# Other Information

## REVIEW OF FINANCIAL STATEMENTS

The Company established 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 overseeing the financial reporting and disclosure processes, internal control and risk management systems of the Company, and 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' Lee Chee Leong. 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 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, 6 August 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 independent non-executive Directors 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>.*