

FURNIWEB HOLDINGS LIMITED

飛電控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8480



2021

First Quarterly Report

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors (the “Directors”) of FURNIWEB HOLDINGS LIMITED (the “Company” together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

The Board of Directors of the Company (the “Board”) announces the unaudited condensed consolidated results of the Group for the three months ended 31 March 2021 (the “Period”), together with the unaudited comparative figures for the corresponding period in 2020, as follows:

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

FOR THE THREE MONTHS ENDED 31 MARCH 2021

	Notes	Three months ended 31 March	
		2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Revenue	4	49,315	25,464
Cost of sales		(23,026)	(17,739)
Gross profit		26,289	7,725
Other (expenses)/income, net	5	(4,468)	3,594
Selling and distribution costs		(3,916)	(2,371)
Administrative expenses		(7,377)	(5,188)
Interest income		115	56
Finance costs	6	(475)	(523)
Share of profit of a joint venture, net of tax		81	67
Share of loss of associates, net of tax		–	(296)
Profit before income tax expense	7	10,249	3,064
Income tax expense	8	(814)	(371)
Profit for the period		9,435	2,693
Other comprehensive (expenses)/income, net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Disposal of subsidiaries		(7,479)	(1,364)
Exchange differences on translation of foreign operations		2,177	3,378
Share of other comprehensive income of a joint venture		45	32
Share of other comprehensive expense of associates		–	(3)

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

FOR THE THREE MONTHS ENDED 31 MARCH 2021

	Notes	Three months ended 31 March	
		2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Other comprehensive (expenses)/income for the period, net of tax		(5,257)	2,043
Total comprehensive income for the period		4,178	4,736
Profit attributable to:			
Owners of the Company		2,143	2,693
Non-controlling interests		7,292	–
		9,435	2,693
Total comprehensive income attributable to:			
Owners of the Company		4,178	4,736
Non-controlling interests		–	–
		4,178	4,736
Earnings per share:			
Basic and diluted (cents)	10	0.38	0.48

Unaudited Condensed Consolidated Statement of Changes in Equity

FOR THE THREE MONTHS ENDED 31 MARCH 2021

	Share capital	Share premium	Merger reserve	Exchange translation reserve	Accumulated losses	Total	Non-controlling interests	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2020								
(audited)	30,255	80,824	42,208	(5,292)	(22,536)	125,459	-	125,459
Profit for the period	-	-	-	-	2,693	2,693	-	2,693
Disposal of a subsidiary	-	-	(2,775)	1,411	-	(1,364)	-	(1,364)
Exchange differences on translation of foreign operations	-	-	-	3,378	-	3,378	-	3,378
Share of other comprehensive income of a joint venture, net of tax	-	-	-	32	-	32	-	32
Share of other comprehensive expense of associates, net of tax	-	-	-	(3)	-	(3)	-	(3)
Total comprehensive (expenses)/ income	-	-	(2,775)	4,818	2,693	4,736	-	4,736
Balance at 31 March 2020								
(unaudited)	30,255	80,824	39,433	(474)	(19,843)	130,195	-	130,195
Balance at 1 January 2021 (audited)	30,255	80,824	39,433	(2,889)	(51,973)	95,650	-	95,650
Profit for the period	-	-	-	-	2,143	2,143	7,292	9,435
Disposal of subsidiaries	-	-	-	(83)	-	(83)	(7,404)	(7,479)
Exchange differences on translation of foreign operations	-	-	-	2,073	-	2,073	112	2,177
Share of other comprehensive income of a joint venture, net of tax	-	-	-	45	-	45	-	45
Total comprehensive income	-	-	-	2,035	2,143	4,178	-	4,178
Balance at 31 March 2021								
(unaudited)	30,255	80,824	39,433	(854)	(49,830)	99,828	-	99,828

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 of Hong Kong Limited 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 principal place of business in Hong Kong is 31st Floor, 148 Electric Road, North Point, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sale of elastic textile, webbing 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 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 2020 annual financial statements, except for those that relate to new standards or interpretations effective for the period beginning on or after 1 January 2021. Details of changes in accounting policies are set out below.

Adoption of new and revised IFRSs effective for annual periods beginning on or after 1 January 2021

Title

Amendments to IFRS 4, 7, 9 and 16, and IAS 39

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, webbing and PVC related products, and retail sale of garment products.

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**").

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 2021 (unaudited)

	Manufacturing RM'000	Retail RM'000	Others RM'000	Total RM'000
Revenue				
Total revenue from external customers	32,626	642	16,047	49,315
Results				
Operating profit/(loss)	5,553	(1,482)	6,457	10,528
Interest income	110	-	5	115
Finance costs	(136)	(333)	(6)	(475)
Share of profit of a joint venture, net of tax	81	-	-	81
Profit/(Loss) before income tax expense	5,608	(1,815)	6,456	10,249
Income tax expense	(814)	-	-	(814)
Profit/(Loss) for the period	4,794	(1,815)	6,456	9,435
Non-controlling interests	-	-	(7,292)	(7,292)
Profit/(Loss) attributable to owners of the parent	4,794	(1,815)	(836)	2,143
Other segment information:				
Amortisation and depreciation	(750)	(1,245)	(109)	(2,104)
Loss on disposal of subsidiaries	-	-	(4,975)	(4,975)

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				
Total 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
Non-controlling interests	-	-	-	-
Profit/(Loss) attributable to owners of the parent	4,997	(1,625)	(679)	2,693
Other segment information:				
Amortisation and depreciation	(708)	(1,222)	(31)	(1,961)
Gain on disposal of a subsidiary	3,197	-	-	3,197

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	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Revenue from external customers		
Asia Pacific	41,260	19,521
Europe	2,553	1,388
North America	5,156	4,205
Others	346	350
Total	49,315	25,464

(c) Information about major customer

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

	Three months ended 31 March	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Customer A	*	3,455

* Revenue from this customer did not exceed 10% of the total revenue of the Group for the period ended 31 March 2021.

Notes to the Financial Information

4. REVENUE

	Three months ended 31 March	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Revenue breakdown		
Elastic textile	8,239	7,327
Webbing	15,211	9,767
PVC related products and other products	9,176	7,121
Fashion garment products and accessories	642	1,182
Others	16,047	67
Total	49,315	25,464

All revenue from customers during the periods ended 31 March 2021 and 2020 were recognised at point in time.

5. OTHER (EXPENSES)/INCOME, NET

	Three months ended 31 March	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Gain on foreign exchange, net		
— realised	153	267
— unrealised	230	57
Commission income	19	101
(Loss)/Gain on disposal of subsidiaries	(4,975)	3,197
Gain on disposal of property, plant and equipment	—	12
Sales of scrap	5	1
Others	100	(41)
Total	(4,468)	3,594

Notes to the Financial Information

6. FINANCE COSTS

	Three months ended	
	31 March	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Interest on bank overdraft	7	7
Interest on bank borrowings	172	172
Interest on lease liabilities	283	332
Others	13	12
Total	475	523

7. PROFIT BEFORE INCOME TAX EXPENSE

	Three months ended	
	31 March	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Profit before income tax expense is arrived at after charging/(crediting):		
Amortisation of intangible assets	223	213
Depreciation of property, plant and equipment	726	675
Depreciation of right-of-use assets	1,155	1,073
Reversal of inventories written down, net	(1,615)	(1,362)
Gain on disposal of property, plant and equipment	–	12
Loss/(Gain) on disposal of subsidiaries	4,975	(3,197)

Notes to the Financial Information

8. INCOME TAX EXPENSE

	Three months ended 31 March	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Current tax expense		
— Malaysian income tax	568	143
— Overseas income tax	301	259
	869	402
Deferred tax		
— current year	(55)	(31)
	814	371

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 2021 and 2020.

Tax expenses 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 (2020: RMNil).

Notes to the Financial Information

10. EARNINGS PER SHARE

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

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

	Three months ended 31 March	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Earnings		
Profit for the period attributable to owners of the Company	2,143	2,693
Number of shares		
Weighted average number of ordinary shares in issue during the Period	560,000,000	560,000,000

Diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding for the periods ended 31 March 2021 and 2020.

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.

The Group ventured into manufacture and sale of PVC related products in 2019 by acquiring the entire issued share capital of a company whose subsidiaries in Hong Kong and PRC are mainly engaged in the manufacture and sale of PVC related products.

In year 2020, the Group disposed off a subsidiary of the Group, mainly manufacture and sale of narrow elastic fabric products.

The revenue from the Manufacturing Division for the Period was approximately RM32.6 million, increased by approximately RM8.4 million or 34.7% as compared to the corresponding period of 2020.

During the Period, domestic sales and export sales accounted for approximately 40.7% and 59.3% (2020: 44.2% and 55.8%) 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 the three months ended 31 March 2021 and 2020.

Revenue generated from the sale of elastic textile, webbing and other manufacturing products accounted for approximately 25.2%, 46.6% and 28.2% (2020: 30.2%, 40.5% and 29.3%) 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 RM8.2 million, increased by approximately RM0.9 million or 12.3% as compared to corresponding period of 2020, mainly due to an increase in sales volume from customers in Asia Pacific region, Europe and North America during the Period.

Management Discussion and Analysis

(ii) *Webbing*

For the Period, the revenue of webbing was approximately RM15.2 million, increased by approximately RM5.4 million or 55.1% as compared to corresponding period of 2020. 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 North America during the Period.

(iii) *Other manufacturing products*

During the Period, the revenue of other manufacturing products was approximately RM9.2 million, increased by approximately RM2.1 million or 29.6% as compared to corresponding period of 2020, mainly due to the increase in revenue contributed by the PVC related products by RM1.4 million and rubber tapes products by RM0.7 million as compared to corresponding period of 2020.

The overall revenue of the Manufacturing Division has shown an improvement as compared to corresponding period of 2020, mainly due to slow recovery of sales from the impact of COVID-19 pandemic during the Period.

(b) **Retail Division**

The Group had ventured into retail business in the second quarter of 2018 and became an authorised dealer of the luxurious 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.

For the Period, the revenue of the Retail Division was approximately RM0.6 million (2020: RM1.2 million), decreased by RM0.6 million or 50.0% as compared to corresponding period of 2020, mainly due to the outbreak of the COVID-19 pandemic, which led to a decrease in tourists arrival and deterioration of overall consumers’ spending during the Period.

(c) **Others**

For the Period, the revenue of approximately RM16.0 million (2020: RM0.1 million) was mainly contributed by the underwriter fees, brokerage fees and financial advisor fees from security brokerage business which the Group acquired in the fourth quarter of 2020. The security brokerage business was subsequently disposed off in March 2021. The Board believes the disposal allows the Group to focus its existing business and conserve the funding and resources amid the economic uncertainties.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group's revenue for the Period amounted to approximately RM49.3 million, representing an increase of RM23.8 million or 93.3% as compared to corresponding period of 2020.

A majority of the Group's revenue was contributed by the Manufacturing Division, which accounted for approximately 66.1% (2020: 94.9%) of the total revenue for the Period.

Revenue from the Manufacturing Division increased by approximately RM8.4 million or 34.7%, mainly due to rebound in sales orders during the Period. For the corresponding period of 2020, the sales orders were affected by the lockdown and movement restrictions order implemented by various countries under the COVID-19 pandemic.

During the Period, the revenue from the Retail Division decreased by approximately RM0.6 million or 50.0% as compared to corresponding period of 2020, mainly due to the outbreak of the COVID-19 pandemic resulting in decrease in tourist numbers and the consumption by customers in Singapore during the Period.

Cost of Sales

For the Period, the cost of sales of the Group amounted to RM23.0 million (2020: RM17.7 million), representing an increase of approximately RM5.3 million or 29.9% as compared to corresponding period of 2020. The increase of the cost of sales was in line with the increase in revenue.

Gross Profit and Gross Profit Margin

For the Period, the Group achieved gross profit of approximately RM26.3 million (2020: RM7.7 million), representing an increase of RM18.6 million as compared to corresponding period of 2020, mainly due to higher gross profit contributed by (i) the security brokerage business acquired by the Group in the fourth quarter of 2020 which had subsequently been disposed off and (ii) the improved gross profit of certain manufacturing subsidiaries of the Group during the Period.

The gross profit margin of the Group improved from 30.2% to 53.3%, mainly due to the higher gross profit margin contributed by (i) the security brokerage business acquired by the Group in the fourth quarter of 2020 which had subsequently been disposed off and (ii) an increase in sales volume of manufacturing products which in turn lower the weighing of fixed overheads over total cost of sales.

Management Discussion and Analysis

Other (Expenses)/Income, net

For the Period, the other expenses of the Group amounted to approximately RM4.5 million (2020: other income of RM3.6 million), representing a decrease of RM8.1 million as compared to corresponding period of 2020. The decrease was mainly due to one-off loss on disposal of subsidiaries of RM5.0 million recognised during the Period whereas one-off gain on disposal of a subsidiary of RM3.2 million was recognised in corresponding period of 2020.

Selling and Distribution Costs

For the Period, the selling and distribution costs of the Group amounted to RM3.9 million (2020: RM2.4 million), representing an increase of approximately RM1.5 million or 62.5% as compared to corresponding period of 2020. The increase was mainly due to the marketing expenses incurred by the security brokerage business acquired by the Group in the fourth quarter of 2020 which had subsequently been disposed off (2020: RMNil) and higher selling and marketing expenses incurred by the Manufacturing Division which was in line with respective increase in revenue.

Administrative Expenses

The administrative expenses mainly included salaries for management and administrative staff, depreciation of property, plant and equipment not directly used for production, and other miscellaneous expenses.

For the Period, the administrative expenses of the Group amounted to RM7.4 million (2020: RM5.2 million), representing an increase of RM2.2 million or 42.3% as compared to corresponding period of 2020. The increase was mainly due to the administrative expenses incurred by the security brokerage business acquired by the Group in the fourth quarter of 2020 which had subsequently been disposed off (2020: RMNil).

Profit for the Period

For the Period, the profit for the period amounted to RM9.4 million (2020: RM2.7 million), representing an increase of approximately RM6.7 million as compared to the corresponding period of 2020. The profit was mainly arising from the profit of RM12.2 million generated by the security brokerage business acquired by the Group in the fourth quarter of 2020 which had subsequently been disposed off in March 2021 and the improved gross profit margin of the Group during the Period offset with loss on disposal of the aforementioned subsidiaries which were engaged in security brokerage business of RM5.0 million (2020: Gain on disposal of subsidiaries which were engaged in manufacturing business of RM3.2 million).

Management Discussion and Analysis

DIVIDEND

The Board does not declare the payment of any dividend for the Period (2020: RMNil).

SHARE OPTION SCHEME

As at 31 March 2021, no share options had been granted under the share option scheme adopted by the Company on 20 September 2017.

FUTURE PROSPECTS AND OUTLOOK

The global outlook remains challenging as the resurgence of the pandemic in many countries poses difficult economy versus health decisions. Additionally, the ongoing trade war, volatility in currency, disruption in global supply chain and the intensifying regional business competition have made our operating environment extremely challenging and difficult to predict. The global vaccination programme has been rolled out since the beginning of 2021, the efficacy of the vaccines as well as the speed and coverage of the vaccination programme remain to be observed. The Company is continually reviewing the demand and supply situation and cost mitigation measures to ensure business continuity and long term sustainability.

As we reorganise ourselves to meet the operating environment of the new normal, we are optimistic that we will prevail.

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**").

Management Discussion and Analysis

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 ("**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;
- (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

RETIREMENT OF DIRECTOR

As announced by the Company on 7 May 2021, Mr. Yang Guang retired as a non-executive Director with effect from the conclusion of the annual general meeting of the Company held on 7 May 2021 in accordance with article 105 of the articles of association of the Company.

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 2021, no contract of significance had been entered into between the Company, or any of its subsidiaries or fellow subsidiaries and the Controlling Shareholder or any of its subsidiaries.

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).

Other Information

Pursuant to these Non-Compete Undertakings, the Controlling Shareholder has, among other matters, irrevocably undertaken to the Company that at any time during the Relevant Period*, the Controlling Shareholder shall, and shall procure that its close associates and/or companies controlled by it (other than the Group) shall not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete with the businesses of the Group (including but not limited to the manufacturing of elastic textile, webbing and other products including rubber tape and metal components for furniture) in Malaysia, Vietnam and/or any other country or jurisdiction in or to which the Group sells its products and/or in which any member of the Group carries out the abovementioned business from time to time.

- * the "**Relevant Period**" means the period commencing from the date of Listing and shall expire on the earlier of the dates below:
- (a) the date on which the Controlling Shareholder and its close associates (whether individually or taken as a whole) cease to own 30% of the then issued share capital of the Company (whether directly or indirectly) or cease to be the controlling shareholder of the Company for the purpose of the GEM Listing Rules; and
 - (b) the date on which the shares of the Company cease to be listed on GEM or (if applicable) other stock exchange.

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

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

Other Information

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

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

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

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

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

As at 31 March 2021, 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	33,973,900 shares (L)	7.90%
		Interest of spouse	300,000 shares (L) (Note 3)	0.07%
Cheah Eng Chuan	PRG Holdings (Note 1)	Beneficial owner	1,000,000 shares (L)	0.23%

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 429,857,221 shares in PRG Holdings in issue as at 31 March 2021.

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 2021.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 31 March 2021, 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%
Jim Ka Man	Beneficial owner	58,472,000 Shares (L) (Note 4)	10.44%
	Interest of spouse	6,592,000 Shares (L) (Note 5)	1.18%

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.
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 form filed by Jim Ka Man, Jim Ka Man had acquired up to 58,472,000 Shares on 2 September 2020.
5. According to the disclosure of interest form filed by Jim Ka Man, Jim Ka Man was deemed to be interested in the Shares held directly by her spouse 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 2021.

DIRECTORS' SECURITIES TRANSACTIONS

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

REVIEW OF FINANCIAL STATEMENTS

The Company established 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 of 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.

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 had been made.

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

Malaysia, 7 May 2021

As at the date of this report, the non-executive Directors are Dato' Lim Heen Peok (the Chairman) and Mr. Ng Tzee Penn, 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 Company Announcements" page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting. This report will also be posted on the Company's website at <http://www.furniweb.com.my>.