

FURNIWEB HOLDINGS LIMITED

飛電控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8480



2021

Third 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 nine months ended 30 September 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 NINE MONTHS ENDED 30 SEPTEMBER 2021

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2021 (Unaudited) RM'000	2020 (Unaudited) RM'000	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Revenue	4	22,641	26,627	101,508	71,060
Cost of sales		(17,103)	(17,697)	(61,256)	(48,620)
Gross profit		5,538	8,930	40,252	22,440
Other income/(expense), net	5	278	(280)	7,726	3,532
Selling and distribution costs		(824)	(1,234)	(6,090)	(5,985)
Administrative expenses		(4,445)	(4,603)	(16,273)	(13,682)
Interest income		90	136	336	456
Finance costs	6	(132)	(579)	(925)	(1,510)
Share of profit of a joint venture, net of tax		141	76	317	170
Share of loss of an associate, net of tax		-	-	-	(345)
Profit before income tax expense	7	646	2,446	25,343	5,076
Income tax expense	8	265	(652)	(1,047)	(1,318)
Profit for the period		911	1,794	24,296	3,758

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2021 (Unaudited) RM'000	2020 (Unaudited) RM'000	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Other comprehensive income/ (expenses), net of tax					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Realisation of reserves from disposal of subsidiaries		-	-	(187)	(1,382)
Exchange differences on translation of foreign operations		967	(1,029)	3,729	2,527
Share of other comprehensive income/(expense) of a joint venture		33	(35)	79	10
Share of other comprehensive income of an associate		-	-	-	11
Total other comprehensive income/ (expense), net of tax		1,000	(1,064)	3,621	1,166
Total comprehensive income for the period		1,911	730	27,917	4,924
Profit attributable to:					
Owners of the Company		911	1,794	17,004	3,758
Non-controlling interests		-	-	7,292	-
		911	1,794	24,296	3,758
Total comprehensive income attributable to:					
Owners of the Company		1,911	730	20,625	4,924
Non-controlling interests		-	-	7,292	-
		1,911	730	27,917	4,924
Earnings per share:					
Basic and diluted (cents)	10	0.16	0.32	3.04	0.67

Unaudited Condensed Consolidated Statement of Changes in Equity

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021

	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Exchange translation reserve RM'000	Accumulated losses RM'000	Equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total RM'000
Balance as at 1 January 2020 (audited)	30,255	80,824	42,208	(5,292)	(22,536)	125,459	-	125,459
Profit for the period	-	-	-	-	3,758	3,758	-	3,758
Realisation of reserves from disposal of a subsidiary	-	-	(2,775)	1,393	-	(1,382)	-	(1,382)
Exchange differences on translation of foreign operations	-	-	-	2,527	-	2,527	-	2,527
Share of other comprehensive income of a joint venture, net of tax	-	-	-	10	-	10	-	10
Share of other comprehensive income of an associate, net of tax	-	-	-	11	-	11	-	11
Total comprehensive (expenses)/income	-	-	(2,775)	3,941	3,758	4,924	-	4,924
Balance as at 30 September 2020 (unaudited)	30,255	80,824	39,433	(1,351)	(18,778)	130,383	-	130,383
Balance as at 1 January 2021 (audited)	30,255	80,824	42,208	(2,889)	(51,973)	95,650	-	95,650
Profit for the period	-	-	-	-	17,004	17,004	7,292	24,296
Realisation of reserves from disposal of subsidiaries	-	-	-	(75)	-	(75)	(112)	(187)
Exchange differences on translation of foreign operations	-	-	-	3,617	-	3,617	112	3,729
Share of other comprehensive income of a joint venture, net of tax	-	-	-	79	-	79	-	79
Total comprehensive income	-	-	-	3,621	17,004	20,625	7,292	27,917
<i>Transactions with owners</i>								
Shares acquired by non-controlling interests	-	-	-	-	-	-	6,288	6,288
Arising from disposal of subsidiaries	-	-	-	-	-	-	(13,580)	(13,580)
Total transactions with owners	-	-	-	-	-	-	(7,292)	(7,292)
Balance as at 30 September 2021 (unaudited)	30,255	80,824	39,433	732	(34,969)	116,275	-	116,275

Notes to the Financial Information

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 3 March 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its ordinary shares in issue have been listed on the GEM of the Stock Exchange since 16 October 2017 (the "**Listing**"). The addresses of the Company's registered office and its headquarters are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Lot 1883, Jalan KP89, Kg. Bharu Balakong, 43300 Seri Kembangan, Selangor, Malaysia, respectively. The 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 Standard ("**IFRS**"), 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 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 or 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 products 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.

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

Nine months ended 30 September 2021 (unaudited)

	Manufacturing RM'000	Retail RM'000	Others RM'000	Total RM'000
Revenue				
Revenue from external customers	83,519	1,807	16,182	101,508
Results				
Operating profit	9,767	10,485	5,363	25,615
Interest income	331	–	5	336
Finance costs	(412)	(507)	(6)	(925)
Share of profit of a joint venture, net of tax	317	–	–	317
Profit before income tax expense	10,003	9,978	5,362	25,343
Income tax expense	(1,047)	–	–	(1,047)
Profit for the period	8,956	9,978	5,362	24,296
Non-controlling interests	–	–	(7,292)	(7,292)
Attributable to owners of the parent	8,956	9,978	(1,930)	17,004
Other segment information:				
Amortisation and depreciation	(2,268)	(2,094)	(125)	(4,487)
Loss on disposal of subsidiaries	–	–	(4,975)	(4,975)
Lease modification — early termination	9	11,105	–	11,114
Reversal of provision for restoration costs	–	713	–	713

Notes to the Financial Information

Nine months ended 30 September 2020 (unaudited)

	Manufacturing RM'000	Retail RM'000	Others RM'000	Total RM'000
Revenue				
Revenue from external customers	68,745	2,107	208	71,060
Results				
Operating profit/(loss)	11,714	(3,366)	(2,043)	6,305
Interest income	447	9	–	456
Finance costs	(437)	(1,066)	(7)	(1,510)
Share of profit of a joint venture, net of tax	170	–	–	170
Share of loss of an associate, net of tax	(345)	–	–	(345)
Profit/(Loss) before income tax expense	11,549	(4,423)	(2,050)	5,076
Income tax expense	(1,318)	–	–	(1,318)
Profit/(Loss) for the period	10,231	(4,423)	(2,050)	3,758
Non-controlling interests	–	–	–	–
Attributable to owners of the parent	10,231	(4,423)	(2,050)	3,758
Other segment information:				
Amortisation and depreciation	(2,189)	(3,721)	(94)	(6,004)
Gain on disposal of a subsidiary	3,249	–	–	3,249

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 and 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 30 September		Nine months ended 30 September	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
	Revenue from external customers			
Asia Pacific	15,827	20,049	80,094	53,149
Europe	1,522	1,520	6,238	4,848
North America	4,554	4,728	13,811	12,163
Others	738	330	1,365	900
Total	22,641	26,627	101,508	71,060

(c) Information about major customers

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

	Three months ended 30 September		Nine months ended 30 September	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
	Customer A	–	3,838	*

* Revenue from this customer did not exceed 10% of the total revenue of the Group for the period ended 30 September 2021.

Notes to the Financial Information

4. REVENUE

	Three months ended 30 September		Nine months ended 30 September	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
	Elastic textile	6,623	7,932	21,508
Webbing	7,969	10,689	35,985	26,392
PVC related products and other products	7,965	7,087	26,026	20,033
Fashion garment products and accessories	4	848	1,807	2,107
Others	80	71	16,182	208
Total	22,641	26,627	101,508	71,060

All revenue from customers during the period ended 30 September 2021 and 2020 were recognised at point in time.

Notes to the Financial Information

5. OTHER INCOME/(EXPENSE), NET

	Three months ended		Nine months ended	
	30 September		30 September	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Gain/(Loss) on foreign exchange, net				
— realised	177	(379)	298	(7)
— unrealised	(387)	(31)	(154)	(103)
Commission income	23	17	64	133
(Loss)/Gain on disposal of subsidiaries	–	–	(4,975)	3,249
Gain on disposal of property, plant and equipment	–	10	–	56
Lease modification — early termination	3	–	11,114	–
Reversal of provision for restoration costs	1	–	713	–
Reversal of impairment loss on amount owing by an associate	359	–	493	–
Others	102	103	173	204
Total	278	(280)	7,726	3,532

6. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Interest on bank overdraft	5	5	22	14
Interest on bank borrowings	88	137	359	450
Interest on lease liabilities	38	426	522	1,011
Others	1	11	22	35
Total	132	579	925	1,510

Notes to the Financial Information

7. PROFIT BEFORE INCOME TAX EXPENSE

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Amortisation of intangible assets	228	216	679	645
Depreciation of property, plant and equipment	368	723	1,700	2,094
Depreciation of right-of-use assets	176	1,325	2,108	3,265
Loss/(Gain) on disposal of subsidiaries	–	–	4,975	(3,249)
Gain on disposal of property, plant and equipment	–	(10)	–	(56)
Intangible assets written off	1	–	22	–
Lease modification — early termination	(3)	–	(11,114)	–
Property, plant and equipment written off	(49)	–	123	1
Reversal of impairment loss on amount owing by an associate	(359)	–	(493)	–
Reversal of inventories written down, net	(2)	(447)	(2,034)	(797)
Reversal of provision for restoration costs	(1)	–	(713)	–

Notes to the Financial Information

8. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Current tax expense				
— Malaysian income tax	191	308	1,046	494
— Overseas income tax	(399)	372	170	916
Under provision in prior periods	–	4	–	4
	(208)	684	1,216	1,414
Deferred tax				
— current year	(57)	(32)	(169)	(96)
	(265)	652	1,047	1,318

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 nine months ended 30 September 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 30 September		Nine months ended 30 September	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Earnings				
Profit for the period attributable to owners of the Company	911	1,794	17,004	3,758
Number of shares				
Weighted average number of ordinary shares in issue during the Period	560,000,000	560,000,000	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 30 September 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, which mainly engaged in manufacture and sale of narrow elastic fabric products.

In June 2021, the Group has completed the disposal of Furnitech Components (Vietnam) Co., Ltd, an associate of the Group which sells metal components for furniture.

The revenue from the Manufacturing Division for the Period was approximately RM83.5 million, increased by approximately RM14.8 million or 21.5% as compared to the corresponding period of 2020.

During the Period, domestic sales and export sales accounted for approximately 42.7% and 57.3% (2020: 47.8% and 52.2%) 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 nine months ended 30 September 2021 and 2020.

Revenue generated from the sale of elastic textile, webbing and other manufacturing products accounted for approximately 25.7%, 43.1% and 31.2% (2020: 32.5%, 38.4% and 29.1%) 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 RM21.5 million, decreased by RM0.8 million or 3.6% as compared to the corresponding period of 2020, mainly due to the decrease in sales volume from customers in Asia Pacific region and North America during the Period, resulted from lockdown in certain countries in the third quarter of year 2021 where the customers' factories located has minimal or no operations.

Management Discussion and Analysis

(ii) Webbing

For the Period, the revenue of webbing was approximately RM36.0 million, increased by RM9.6 million or 36.4% as compared to the 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 RM26.0 million, increased by RM6.0 million or 30.0% as compared to the corresponding period of 2020, mainly due to the increase in revenue contributed by the PVC related products by RM2.8 million and rubber tape products by RM3.2 million as compared to corresponding period of 2020.

The overall revenue of the Manufacturing Division has shown an improvement as compared to the corresponding period of 2020, mainly due to recovery of most of the products' sales from the impact of Novel Coronavirus Disease-2019 ("**COVID-19**") pandemic during the Period.

(b) Retail Division

The Group had opened a retail store in Singapore and a 49%-owned store in Thailand in year 2019. The retail business was severely impacted by the COVID-19 since the beginning of year 2020 when the borders of countries were closed which led to a decrease in tourists arrival and resulted in deterioration of overall consumers' spending. The efforts of sales promotion, cost saving as well as rental concessions from landlords did not achieve the expected results. In view of the prolonged COVID-19 pandemic and closure of borders, the retail business had experienced unprecedented difficulties in their operations and is unlikely to have major recovery in the short run. Therefore, the Board has decided to close the retail stores. The Group has reached an agreement with landlord of the retail store in Singapore on early termination and to waive the contractual liabilities on remaining lease payments and reinstatement of store. Therefore, the corresponding lease liabilities and provision for restoration costs were reversed during the Period.

The Board believes this decision allows the Group to conserve management and financial resources during the pandemic and to reallocate the resources to those businesses that have a better long term demand trajectory.

For the Period, the revenue of the Retail Division was approximately RM1.8 million (2020: RM2.1 million), decreased by RM0.3 million or 14.3% as compared to the corresponding period of 2020, mainly due to closure of retail store in the second quarter of 2021.

Management Discussion and Analysis

(c) Others

For the Period, the revenue of approximately RM16.2 million (2020: RM0.2 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 on its existing business and conserve the funds and resources amid the economic uncertainties.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Period amounted to approximately RM101.5 million, representing an increase of RM30.4 million or 42.8% as compared to the corresponding period of 2020.

A majority of the Group's revenue was contributed by the Manufacturing Division, which accounted for approximately 82.3% (2020: 96.6%) of the total revenue for the Period.

Revenue from the Manufacturing Division increased by approximately RM14.8 million or 21.5%, 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.

The revenue of RM16.0 million or 15.8% of the total revenue was contributed by the underwriter fees, brokerage fees and financial advisor fees from security brokerage business acquired by the Group in the fourth quarter of 2020 which was subsequently disposed off in March 2021.

Cost of Sales

For the Period, the cost of sales of the Group amounted to approximately RM61.3 million (2020: RM48.6 million), representing an increase of RM12.7 million or 26.1% as compared to the corresponding period of 2020. The increase in cost of sales was in line with the increase in revenue.

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

For the Period, the Group achieved gross profit of approximately RM40.3 million (2020: RM22.4 million), representing an increase of RM17.9 million or 79.9% as compared to the 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 was subsequently disposed off in March 2021 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 31.5% to 39.7%, mainly due to the higher gross profit margin contributed by the security brokerage business acquired by the Group in the fourth quarter of 2020 which was subsequently disposed off in March 2021.

Other Income, net

For the Period, the other income of the Group amounted to approximately RM7.7 million (2020: RM3.5 million), representing an increase of RM4.2 million as compared to the corresponding period of 2020. The increase was mainly due to (i) lease modification arising from early termination of RM11.1 million and reversal of restoration costs of RM0.7 million as a result of termination of lease for retail store in Singapore in May 2021 and (ii) reversal of impairment loss on amount owing by an associate of RM0.5 million. However, this other income was offset with 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 approximately RM6.1 million (2020: RM6.0 million), representing an increase of approximately RM0.1 million or 1.7% as compared to the corresponding period of 2020.

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 RM16.3 million (2020: RM13.7 million), representing an increase of RM2.6 million or 19.0% as compared to the corresponding period in 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 was subsequently disposed off in March 2021 (2020: RMNil).

Management Discussion and Analysis

Profit for the Period

For the Period, the profit amounted to RM24.3 million (2020: RM3.8 million), representing an increase of approximately RM20.5 million as compared to the corresponding period of 2020. The profit was mainly arising from (i) profit of RM12.2 million generated by the security brokerage business acquired by the Group in the fourth quarter of 2020 which was subsequently disposed off in March 2021, (ii) profit from the Retail Division of RM9.8 million (2020: loss of RM4.4 million) mainly due to one-off recognition of reversal of lease liabilities arising from early termination and decrease in operational expenses during the Period and (iii) the improved gross profit of the Group during the Period. This amount was 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 a subsidiary which was engaged in manufacturing business of RM3.2 million).

SHARE OPTION SCHEME

As at 30 September 2021, no share options had been granted under the Share Option Scheme.

SUBSEQUENT EVENT

On 1 November 2021, the Company as purchaser and Ms. Pua Lay Cheng and Mr. Lee Eng Lock as vendors (the “**Vendors**”) entered into the sale and purchase agreement, pursuant to which the Vendors have conditionally agreed to sell and the Company has conditionally agreed to acquire the 37.25% of issued share capital of Energy Solution Global Limited, whose two wholly-owned operating subsidiaries are principally engaging in provision of smart energy solution business at the total consideration of HK\$9,564,496 (approximately RM5,142,202). For details, please refer to the announcement of the Company dated 1 November 2021.

Other than the above, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2021 and up to the date of this report.

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, global surge in shipping cost and the intensifying regional business competition have made our operating environment extremely challenging and difficult to predict. The lockdown and movement restrictions order in Malaysia and Vietnam from June to October 2021 due to the resurgence in infection of COVID-19, has also further disrupted our operations. The Company will continue to strive to operate within the constraints as well as looking into risk mitigation measures to ensure business continuity and long term sustainability.

Management Discussion and Analysis

COMMERCIAL ACTIVITIES IN SANCTIONED COUNTRIES

During the Period, the Group did not enter into any transactions in countries or territories which are targeted with certain economic sanctions under the laws of the United States, the European Union, the United Nations and Australia (the “**Sanctioned Countries**”) or with certain person(s) and entity(ies) listed on the Office of Foreign Assets Control of the United States Department of Treasury’s 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 Company’s prospectus dated 29 September 2017 (the “**Prospectus**”), and to protect the interests of the Group and the shareholders of the Company (the “**Shareholders**”), the Group has undertaken the following measures and efforts to monitor and evaluate its business activities in connection with possible International Sanctions risks. As at the date of this report:

- (i) the Group has set up a risk management committee, comprising 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 30 September 2021, 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.

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 (as defined under the GEM Listing Rules) (whether individually or taken as a whole) cease to own 30% of the then issued share capital of the Company (whether directly or indirectly) or cease to be the controlling shareholder of the Company for the purpose of the GEM Listing Rules; and
 - (b) the date on which the shares of the Company cease to be listed on GEM or (if applicable) other stock exchange.

The Controlling Shareholder had provided a written confirmation to the Company that it 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.

Other Information

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

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

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

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

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

As at 30 September 2021, the interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) held by the Directors and chief executive of the Company as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(I) Long positions in the ordinary shares of HK\$0.10 each in the Company (the "Shares")

Name of Director	Capacity/ Nature of interest	Number of securities (Note 1)	Approximate percentage of shareholding (Note 2)
Dato' Lua Choon Hann	Beneficial owner	260,000 Shares (L)	0.04%

Notes:

1. The letter "L" denotes the long position of the Director in the shares in PRG Holdings.
2. The percentage of shareholding is calculated on the basis of 560,000,000 Shares in issue as at 30 September 2021.

Other Information

(II) 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	33,216,900 shares (L)	7.73%
		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 30 September 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 30 September 2021.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 30 September 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	55,024,000 Shares (L) (Note 4)	9.82%
	Interest of spouse	6,312,000 Shares (L)	1.13% (Note 5)

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.
4. According to the disclosure of interest form filed by Jim Ka Man, Jim Ka Man had acquired up to 55,024,000 Shares on 9 August 2021.
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 30 September 2021.

Other Information

DIRECTORS' SECURITIES TRANSACTIONS

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

REVIEW OF FINANCIAL STATEMENTS

The Company established 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, 8 November 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>.