

FURNIWEB HOLDINGS LIMITED

飛電控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8480



2019

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 2019 (the “**Period**”), together with the unaudited comparative figures for the corresponding period in 2018, as follows:

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 (Unaudited) RM'000	2018 (Unaudited) RM'000	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
Revenue	4	35,199	23,039	85,695	67,535
Cost of sales		(26,199)	(17,824)	(65,128)	(51,690)
Gross profit		9,000	5,215	20,567	15,845
Other income, net	5	439	588	704	796
Distribution costs		(3,512)	(658)	(7,383)	(1,978)
Administrative expenses		(5,211)	(4,472)	(16,113)	(12,436)
Interest income		107	168	328	481
Finance costs	6	(633)	(134)	(1,126)	(532)
Share of profit of a joint venture, net of tax		86	144	164	194
Share of loss of an associate, net of tax		(153)	(278)	(553)	(808)
Profit/(Loss) before income tax expense	7	123	573	(3,412)	1,562
Income tax expense	8	(302)	(500)	(990)	(877)
(Loss)/Profit for the period		(179)	73	(4,402)	685
Other comprehensive income, net of tax					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations		286	1,554	(206)	(228)
Share of other comprehensive income of a joint venture		12	21	(3)	(20)
Share of other comprehensive income of an associate		(47)	(75)	(8)	16
Other comprehensive income for the period, net of tax		251	1,500	(217)	(232)
Total comprehensive income for the period		72	1,573	(4,619)	453
Profit/(Loss) attributable to:					
Owners of the Company		117	73	(3,896)	685
Non-controlling interests		(296)	–	(506)	–
		(179)	73	(4,402)	685
Total comprehensive income attributable to:					
Owners of the Company		363	1,573	(4,112)	453
Non-controlling interests		(291)	–	(507)	–
		72	1,573	(4,619)	453
Earnings/(Loss) per share:					
Basic and diluted (cents)	10	0.02	0.02	(0.74)	0.14

Unaudited Condensed Consolidated Statement of Changes in Equity

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

	Share capital	Share premium	Merger reserve	Exchange translation reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2018 (audited)	27,285	3,609	42,208	(3,496)	28,000	97,606	-	97,606
Initial application of IFRS 9	-	-	-	4	(229)	(225)	-	(225)
Restated balance as at 1 January 2018	27,285	3,609	42,208	(3,492)	27,771	97,381	-	97,381
Profit for the period	-	-	-	-	685	685	-	685
Exchange differences								
on translation of foreign operations	-	-	-	(228)	-	(228)	-	(228)
Share of other comprehensive income of a joint venture, net of tax	-	-	-	(20)	-	(20)	-	(20)
Share of other comprehensive income of an associate, net of tax	-	-	-	16	-	16	-	16
Total comprehensive income	-	-	-	(232)	685	453	-	453
Balance as at 30 September 2018 (unaudited)	27,285	3,609	42,208	(3,724)	28,456	97,834	-	97,834
Balance as at 1 January 2019 (audited)	27,285	3,609	42,208	(3,137)	28,697	98,662	-	98,662
Loss for the period	-	-	-	-	(3,896)	(3,896)	(506)	(4,402)
Exchange differences								
on translation of foreign operations	-	-	-	(205)	-	(205)	(1)	(206)
Share of other comprehensive income of a joint venture, net of tax	-	-	-	(3)	-	(3)	-	(3)
Share of other comprehensive income of an associate, net of tax	-	-	-	(8)	-	(8)	-	(8)
Total comprehensive income	-	-	-	(216)	(3,896)	(4,112)	(507)	(4,619)
<i>Transaction with owners</i>								
Issue of shares	2,970	71,286	-	-	-	74,256	-	74,256
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	-	876	876
	2,970	71,286	-	-	-	74,256	876	75,132
Balance as at 30 September 2019 (unaudited)	30,255	74,895	42,208	(3,353)	24,801	168,806	369	169,175

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 products and Polyvinyl Chloride (“**PVC**”) related products, and retail business. The ultimate holding company of the Company is PRG Holdings Berhad (“**PRG Holdings**” or the “**Controlling Shareholder**”) which is a public limited liability company incorporated in Malaysia and the issued shares of which are listed on the Main Market of Bursa Malaysia Securities Berhad.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standard, 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 2018 annual financial statements, except for those that relate to new standards or interpretations effective for the period beginning on or after 1 January 2019. 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 2019

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, Business Combinations
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 11, Joint Arrangements
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12, Income Taxes
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 23, Borrowing Costs

Except as described below, the adoption of the above accounting standards and amendments did not have any significant effects on the unaudited condensed consolidated financial statements of the Group.

Notes to the Financial Information

IFRS 16 – Leases

IFRS 16 superseded IAS 17 Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has adopted IFRS 16 with effect from 1 January 2019, using the modified retrospective approach, with no restatement of comparative information and cumulative effect of initial application of IFRS 16 recognised as an adjustment to the opening balance of following components as at 1 January 2019.

Condensed Consolidated Statement of Financial Position as at 1 January 2019

	IAS 17	Effect of	IFRS 16
	RM'000	Adoption	RM'000
		RM'000	
Right-of-use assets	–	23,109	23,109
Lease liabilities	–	23,109	23,109

3. REVENUE AND SEGMENT INFORMATION

(a) Business segment

The Company's subsidiaries are principally engaged in the manufacturing and sale of elastic textile, webbings products and PVC related products, and retail business. The Group determines its operating segments based on the reports reviewed by chief executive officer who is the chief operating decision-maker (the "CODM").

The CODM assesses performance of the operating segments on the basis of gross profit. Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the 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

Nine months ended 30 September 2019 (unaudited)

	Manufacturing	Retail	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
Revenue from external customers	80,999	4,696	-	-	85,695
Inter-segment revenue	-	-	8,476	(8,476)	-
Total revenue	80,999	4,696	8,476	(8,476)	85,695
Results					
Operating profit/(loss)	4,936	(3,900)	(3,261)	-	(2,225)
Interest income	310	2	16	-	328
Finance costs	(770)	(352)	(4)	-	(1,126)
Share of profit of a joint venture, net of tax	164	-	-	-	164
Share of loss of an associate, net of tax	(553)	-	-	-	(553)
Profit/(Loss) before income tax expense	4,087	(4,250)	(3,249)	-	(3,412)
Income tax expense	(990)	-	-	-	(990)
Profit/(Loss) for the period	3,097	(4,250)	(3,249)	-	(4,402)
Non-controlling interests	-	506	-	-	506
Attributable to owners of the parent	3,097	(3,744)	(3,249)	-	(3,896)
Other segment information:					
Depreciation and amortisation	(2,602)	(1,710)	(42)	-	(4,354)

Notes to the Financial Information

Nine months ended 30 September 2018 (unaudited)

	Manufacturing RM'000	Retail RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue					
Revenue from external customers	67,535	-	-	-	67,535
Inter-segment revenue	-	-	-	-	-
Total revenue	67,535	-	-	-	67,535
Results					
Operating profit/(loss)	3,324	(9)	(1,088)	-	2,227
Interest income	342	-	139	-	481
Finance costs	(532)	-	-	-	(532)
Share of profit of a joint venture, net of tax	194	-	-	-	194
Share of loss of an associate, net of tax	(808)	-	-	-	(808)
Profit/(Loss) before income tax expense	2,520	(9)	(949)	-	1,562
Income tax expense	(877)	-	-	-	(877)
Profit/(Loss) for the period	1,643	(9)	(949)	-	685
Non-controlling interests	-	-	-	-	-
Attributable to owners of the parent	1,643	(9)	(949)	-	685
Other segment information:					
Depreciation and amortisation	(2,289)	-	-	-	(2,289)

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 the retail business is based in Singapore and Thailand.

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	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
	Revenue from external customers			
Asia Pacific	28,362	15,625	64,216	47,477
Europe	2,146	3,006	7,704	6,931
North America	4,176	4,290	12,994	12,822
Others	515	118	781	305
Total	35,199	23,039	85,695	67,535

(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	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
	Customer A	3,525	2,977	9,763
Customer B	–	2,248	–	6,768

All revenue from customers during the period ended 30 September 2019 and 2018 were recognised at point in time.

4. REVENUE

Revenue represents the net invoiced value of goods sold.

Notes to the Financial Information

5. OTHER INCOME, NET

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
(Loss)/Gain on foreign exchange, net				
– realised	(34)	207	(72)	129
– unrealised	8	200	(19)	117
Commission income	234	188	351	380
Net gain on disposal of property, plant and equipment	(1)	7	58	11
Sales of scrap	125	14	149	37
Others	107	(28)	237	122
Total	439	588	704	796

6. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Interest on bank overdrafts	11	4	25	5
Interest on bank borrowings	243	124	615	509
Interest on lease liabilities	379	–	486	–
Interest on obligations under finance leases	–	6	–	18
Total	633	134	1,126	532

Notes to the Financial Information

7. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	30 September		30 September	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
Profit/(Loss) before income tax expense is arrived at after charging/(crediting):				
Amortisation of intangible assets	6	4	14	16
Depreciation of property, plant and equipment	1,210	786	2,833	2,273
Depreciation of right-of-use assets	1,238	–	1,507	–
Impairment loss on trade receivables	–	–	5	–
Inventories written down	67	6	302	202
Reversal of inventories written down	(33)	(188)	(35)	(236)
Net gain on disposal of property, plant and equipment	1	(7)	(58)	(11)
Rental expenses on:				
– building	(86)	83	31	249
– land	–	63	–	185

8. INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	30 September		30 September	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
Current tax				
– provision for the period	366	392	1,054	769
– (over)/under provision in prior periods	(64)	108	(64)	108
Income tax expense	302	500	990	877

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 2019 and 2018 whereas the Vietnamese corporate income tax during the nine months ended 30 September 2019 and 2018 is calculated at the preferential tax rate of 15% on the assessable profits and the PRC corporate income tax is calculated at the preferential tax rate of 15% of the estimated taxable profit for the nine months ended 30 September 2019.

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

Notes to the Financial Information

9. DIVIDENDS

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

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

10. EARNINGS/(LOSS) PER SHARE

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

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

	Three months ended 30 September		Nine months ended 30 September	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
Earnings/(Loss)				
Profit/(Loss) for the period attributable to owners of the Company	117	73	(3,896)	685
Number of shares				
Weighted average number of ordinary shares in issue during the Period	523,354,941	504,000,000	523,354,941	504,000,000

Diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share as there were no dilutive potential ordinary shares outstanding during the periods.

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 subsidiary in the PRC is mainly engaged in the manufacture and sale of PVC related products to customers in the PRC and other Asian countries.

The revenue from the Manufacturing Division increased by RM13.5 million or 19.9% during the Period. During the Period, domestic sales and export sales accounted for around 49.0% and 51.0% (2018: 42.7% and 57.3%) of the total revenue, respectively. Asia Pacific region, Europe and North America continued to be the major export countries of the Group during both periods.

Revenue generated from the sale of elastic textile and webbing products accounted for approximately 46.2% and 35.8% (2018: 51.7% and 35.9%) of the total revenue respectively during both periods. The performance by products as below:

(i) Elastic textile

For the Period, the revenue of elastic textile increased by RM2.5 million or 7.3% as compared to the corresponding period of 2018. Revenue of covered elastic yarn increased by 19.3% mainly due to an increase in sales orders from the customers in Asia Pacific region and North America as well as increase in average selling price during the Period. For narrow elastic fabric, despite an increase in sales volume by 20.7%, revenue decreased by 10.0% as compared to the corresponding period of 2018, which was mainly due to the decrease in sales orders of higher profit margin products from a few major customers who experienced slower sales growth in their respective markets in view of the uncertainty in the global trade market. In order to compete with other market players or new entrants to the market and to maintain the production volume to cover as much fixed overhead costs, a higher proportion of sales of relatively lower profit margin products such as knitting processed products were secured during the Period.

(ii) Webbing

Revenue of webbing increased by RM4.7 million or 19.5% as compared to the corresponding period of 2018. This was mainly attributable to the total increase in sales volume for both furniture webbing and seat belt webbing in Asia Pacific region as well as increase in their average selling price during the Period.

Management Discussion and Analysis

(iii) Other manufacturing products

During the Period, the revenue of other manufacturing products increased by RM6.2 million or 73.8% as compared to the corresponding period of 2018, mainly due to the revenue from PVC related products contributed by the newly acquired subsidiary of approximately RM6.5 million (2018: Nil).

(b) Retail Division

The Group had ventured into retail business in the second quarter of 2018 and became an authorised dealer of a 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 followed by the second store which was opened in IconSiam, Bangkok in Thailand in July 2019.

The Retail Division generated revenue amounted to RM4.7 million for the Period (2018: Nil).

FINANCIAL REVIEW

Revenue

The Group’s revenue for the Period amounted to RM85.7 million, representing an increase of RM18.2 million or 27.0% as compared with RM67.5 million for the corresponding period of 2018.

A majority of the Group’s revenue was contributed by the Manufacturing Division, which accounted for approximately 94.5% of the total revenue for the Period (2018: 100%).

Revenue from the Manufacturing Division increased by RM13.5 million mainly due to additional revenue contributed by the newly acquired subsidiary during the third quarter of 2019 of approximately RM6.5 million (2018: Nil) as well as increase in sales volume for covered elastic yarn and webbing products during the Period as compared to the corresponding period of 2018.

During the Period, the Retail Division also contributed revenue of approximately RM4.7 million to the Group (representing 5.5% of the total revenue)(2018: Nil) upon the opening of its first flagship store in Singapore and second store in Thailand in April and July 2019 respectively.

Cost of Sales

For the Period, the cost of sales of the Group amounted to RM65.1 million (2018: RM51.7 million), representing an increase of RM13.4 million or 25.9% as compared to the corresponding period in 2018. 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 RM20.6 million (2018: RM15.8 million), representing an increase of RM4.8 million or 30.4% as compared to the corresponding period of 2018.

Management Discussion and Analysis

The gross profit margin of the Group increased from 23.5% to 24.0% during the Period, which was resulted from higher gross profit margin contributed by the Retail Division.

The gross profit margin of the Manufacturing Division decreased from 23.5% to 21.7% during the Period, which was resulted from (i) the lower gross profit margin contributed by narrow elastic fabric as the fixed overhead costs of such products were not fully covered by revenue; (ii) lower gross profit margin contributed by the newly acquired subsidiary; (iii) an increase in raw material costs of chemical and dye stuff; and (iv) an increase in labour costs as the minimum wages in Malaysia and Vietnam increased from January 2019 onwards. Due to the stiff market competition and the uncertainty in global trade market, the increased costs were unable to be passed on to customers. However, the management is constantly reviewing the cost structure and negotiating with customers to take any opportunity to improve the sales terms of the Group.

Other Income, net

The decrease in other income was mainly due to losses arising from realised and unrealised foreign exchange during the Period.

Distribution Costs

The increase in distribution costs of RM5.4 million was mainly due to the selling and marketing expenses incurred by the Retail Division during the Period. The Retail Division commenced its operation from the second quarter of 2019 onwards, and hence incurred marketing expenses for grand opening events, marketing initiative and promotion events to reach out to potential customers, store staff costs as well as store rental and depreciation expenses. Setting aside the selling and marketing expenses incurred by the Retail Division, the distribution cost of the Manufacturing Division also slightly increased as compared to the corresponding period of 2018, mainly due to increase in transportation expenses and customs declaration charges during the Period, which was in line with the 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 RM16.1 million (2018: RM12.4 million), representing an increase of RM3.7 million or 29.8% as compared to the corresponding period in 2018. The increase was mainly due to (i) the one-off professional fees of RM1.5 million incurred for the Acquisition; (ii) pre-operating expense and administrative expenses of RM1.7 million (2018: Nil) incurred by the Retail Division; (iii) a general increase in salary and additional headcount of managerial directors and staff as well as (iv) additional administrative expenses and headcount arising from newly acquired subsidiary during the Period.

Management Discussion and Analysis

Loss for the Period

For the Period, the loss amounted to RM4.4 million (2018: profit of RM0.7 million), representing a decrease of approximately RM5.1 million as compared to the corresponding period in 2018. The loss incurred was mainly due to (i) loss of RM4.3 million incurred by the Retail Division during the Period as the sales were unable to cover the fixed lease rental and overhead cost as well as marketing expenses to promote the brands and grand opening expenses of shops; and (ii) corporate expenses of total RM3.2 million (2018: RM0.9 million) including the one-off professional fee of RM1.5 million in relation to the Acquisition as well as additional headcount of managerial directors and staff. Setting aside the loss incurred by the Retail Division and corporate expenses, the Manufacturing Division was making a profit of RM3.1 million (2018: RM1.6 million) during the Period.

SHARE OPTION SCHEME

As at 30 September 2019, no share options had been granted under the Share Option Scheme.

SUBSEQUENT EVENTS

As announced by the Company on 5 November 2019, with effect from 5 November 2019, BDO Limited ("**BDO**") has resigned from the office of auditors of the Company as the Company and BDO could not reach an agreement on the audit fee for the financial year ending 31 December 2019. Please refer to the Company's announcement dated 5 November 2019 for further details of the above resignation.

With effect from 6 November 2019,

1. Mr. Tan Chuan Dyi has resigned as the executive Director, compliance officer, authorised representative and member of the risk management committee of the Company; and
2. Mr. Cheah Hannon was appointed as the executive Director, compliance officer, authorised representative and member of the risk management committee of the Company.

Please refer to the Company's announcement dated 6 November 2019 for further details of the above resignation and appointment.

Other than as disclosed above, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2019 and up to the date of this report.

Management Discussion and Analysis

FUTURE PROSPECTS AND OUTLOOK

The uncertainty in the global economies, trade war, volatility in currency and the intensifying regional business competition have made our operating environment very challenging. Global economy is forecasted to be slightly weaker in 2020 compared to 2019 with unresolved trade tensions between the United States with China and other countries as well as Brexit, and a slower-than expected global growth.

The Group anticipates the prospect of the Manufacturing Division in the near future to remain challenging as customers remain cautious on purchases amidst weaker demand in their respective markets. In view of the rapid change of global economy and competition landscape, the Group is constantly strengthening the market position of its Manufacturing Division by exploring new potential export markets, broadening its products application and potential strategic partnership. The Group will be cautious in implementing its business strategies, closely monitor the volatility of raw material prices, regularly review its pricing strategies and cost structure as well as take more effective measures to control its overhead costs and expenses. To streamline the Group's Manufacturing Division and as disclosed in its announcement dated 4 October 2019, the Company has entered into a term sheet with a potential purchaser (the "**Purchaser**") for the sale of Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd, a member of the Group principally engaged in the manufacture and sale of narrow elastic fabrics, to the Purchaser. As at the date of this report, no formal agreement regarding the above sale has been entered into by the parties. Notwithstanding the above, the Group is also constantly reviewing its portfolio and identifying opportunities in investing into new potential business and joint venture or divesting on current non-profitable entity in order to enhance its overall profitability.

The retail outlook is expected to be challenging. On 7 August 2019, the Company entered into a shares sale agreement with PRG Holdings (the Controlling Shareholder) pursuant to which, subject to conditions as set out in the Company's announcement dated 7 August 2019, the Company agreed to sell, and PRG Holdings agreed to purchase, the entire equity interest of Premier Management International Limited, a wholly-owned subsidiary of the Company (the "**Disposal**"), which has investment in retail sale of clothing, footwear and ancillary accessories products. The Disposal constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Please refer to the Company's announcement dated 7 August 2019 for further details of the transaction. As at the date of this report, the Disposal has not been completed.

Management Discussion and Analysis

While pending completion of the Disposal, as the brand is still new to South East Asia, the Group takes cognizance of luxury brand building and development is important. With the support from the principal of the brand, a series of branding and marketing strategies were planned and to be rolled out by stages. The Group will continue exploring the overseas market for opportunities to increase our market presence within the region as well as extending the purchasing channels for consumers such as digital retailing and social medias. Under these dynamics and fast-changing fashion market, the Group will closely monitor outlets' performance by studying and analysing the customers' consumption behaviour and habits to improve performance and earnings. The Group will continue to be vigilant to the changes in fashion market and trend, including reviewing the cost structure, enhance the operational efficiency in order to maintain long term sustainable growth.

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 Group has undertaken the following measures and efforts to monitor and evaluate its business activities in connection with possible International Sanctions risks:

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

During the Period, the Company had complied with the code provisions in the CG Code.

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 2019, no contract of significance had been entered into between the Company, or any of its subsidiaries or fellow subsidiaries and the Controlling Shareholder or any of its subsidiaries.

INTERESTS OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Shenwan Hongyuan Capital (H.K.) Limited as its compliance adviser (the "Compliance Adviser"). The Compliance Adviser, being the sole sponsor of the Company to the Listing, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules.

As at 30 September 2019, as notified by the Compliance Adviser, except for the compliance adviser's agreement entered into between the Company and the Compliance Adviser on 25 September 2017 where the Compliance Adviser received and will receive fees for acting as the compliance adviser of the Company, neither the Compliance Adviser nor any of its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the securities of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

Other Information

DEED OF NON-COMPETITION

As disclosed in the section “Relationship With Our Controlling Shareholder – Competition – Undertakings given by our Controlling Shareholder” in the Prospectus, the Controlling Shareholder (namely, PRG Holdings) has entered into a Deed of Non-Competition dated 28 September 2017 (the “**Deed of Non-Competition**”), which contains certain non-compete undertakings (the “**Non-Compete Undertakings**”) in favour of the Company (for itself and as trustee for each member of the Group).

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

- * the “Relevant Period” means the period commencing from the date of Listing and shall expire on the earlier of the dates below:
- (a) the date on which the Controlling Shareholder and its close associates (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.

Other Information

The Controlling Shareholder has 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 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.

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.

Other Information

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

As at 30 September 2019, the interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) held by the Directors and chief executive of the Company as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(1) Long positions in the ordinary shares in the associated corporation of the Company

Name of Directors	Name of the associated corporation	Capacity/ Nature of interest	Number and class of securities	Approximate percentage of shareholding (Note 3)
Dato' Lim Heen Peok	PRG Holdings (Note 1)	Beneficial owner	108,800 shares of RM0.25 each	0.03%
Mr. Tan Chuan Dyi	PRG Holdings (Note 1)	Beneficial owner	62,000 shares of RM0.25 each	0.02%
Dato' Lua Choon Hann	PRG Holdings (Note 1)	Beneficial owner	80,836,900 shares of RM0.25 each	22.27%
		Interest of spouse	300,000 shares of RM0.25 each (Note 2)	0.08%

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. Dato' Lua Choon Hann was deemed to be interested in the shares in PRG Holdings held directly by his spouse (and vice versa) under Part XV of the SFO.
3. The percentage of shareholding is calculated on the basis of 363,005,021 shares of RM0.25 each in PRG Holdings in issue as at 30 September 2019.

Other Information

(2) Interests and short positions (in respect of equity derivatives) in underlying shares in the associated corporation of the Company

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 2019.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 30 September 2019, so far as are known to the Directors, the following persons (other than the Directors or chief executive of the Company) were recorded in the register kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Interests and short positions in 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 5)
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	Security interest	257,040,000 Shares (L) (Note 4)	45.90%

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

Other Information

4. According to the disclosures of interest respectively filed by Golden World Consultants Limited ("**Golden World**") (which is wholly owned or controlled by Tang Ka Ho) and Tang Ka Ho, Golden World had acquired a security interest over 257,040,000 Shares on 24 July 2019. Tang Ka Ho, who beneficially held 2,840,000 Shares, became interested and/or was deemed to be interested (by virtue of his controlling interest in Golden World), in aggregate, in 259,880,000 Shares under Part XV of the SFO.
5. The percentage of shareholding is calculated on the basis of 560,000,000 Shares in issue of the Company as at 30 September 2019.

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 regarding Directors' dealings in securities transactions in securities of the Company. Following specific enquiries made by the Company to the Directors, all Directors have confirmed that they had complied with the required standard of dealings and there was no event of non-compliance during the Period.

REVIEW OF FINANCIAL STATEMENTS

The Company established an audit committee 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' Sri Wee Jeck Seng. 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 complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

Malaysia, 6 November 2019

As at the date of this report, the non-executive Directors are Dato' Lim Heen Peok (the chairman) and Mr. Yang Guang, the executive Directors are Mr. Cheah Eng Chuan, Dato' Lua Choon Hann, Mr. Qu Weidong and Mr. Cheah Hannon, and the independent non-executive Directors are Mr. Ho Ming Hon, Dato' Sri Wee Jeck Seng and Dato' Sri Dr. Hou Kok Chung.

This report will remain on the "Latest 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>.