

FURNIWEB HOLDINGS LIMITED

飛電控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8480

A stylized world map in shades of blue, overlaid with a network of white dots and lines representing data connections. The map is centered on the Atlantic Ocean, with North and South America on the left and Europe, Africa, and Asia on the right. The lines are thicker and more prominent on the left side, suggesting a focus on the Americas or a global network originating from that region.

2019
INTERIM REPORT

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

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

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

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

The Board of Directors of the Company (the “Board”) announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2019 (the “Period”), together with the unaudited comparative figures for the corresponding period in 2018, and certain comparative figures as at 31 December 2018, as follows:

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

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	Six months ended 30 June	
		2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
Revenue	4	50,496	44,496
Cost of sales		(38,929)	(33,866)
Gross profit		11,567	10,630
Other income, net	5	265	208
Distribution costs		(3,871)	(1,320)
Administrative expenses		(10,902)	(7,964)
Interest income		221	313
Finance costs	6	(493)	(398)
Share of profit of a joint venture, net of tax		78	50
Share of loss of an associate, net of tax		(400)	(530)
(Loss)/Profit before income tax expense	7	(3,535)	989
Income tax expense	8	(688)	(377)
(Loss)/Profit for the period		(4,223)	612
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		(492)	(1,782)
Share of other comprehensive income of a joint venture		(15)	(41)
Share of other comprehensive income of an associate		39	91
Other comprehensive income for the period, net of tax		(468)	(1,732)
Total comprehensive income for the period		(4,691)	(1,120)
(Loss)/Profit attributable to:			
Owners of the Company		(4,013)	612
Non-controlling interests		(210)	–
		(4,223)	612
Total comprehensive income attributable to:			
Owners of the Company		(4,475)	(1,120)
Non-controlling interests		(216)	–
		(4,691)	(1,120)
(Loss)/Earnings per share:			
Basic and diluted (cents)	10	(0.79)	0.12

Unaudited Condensed Consolidated Statement of Financial Position

AS AT 30 JUNE 2019

	Notes	As at 30 June 2019 (Unaudited) RM'000	As at 31 December 2018 (Audited) RM'000
Non-current assets			
Property, plant and equipment	11	40,287	34,815
Rights-of-use assets		23,775	–
Intangible assets		66,885	1,255
Interest in an associate		3,767	4,175
Interest in a joint venture		1,005	1,146
Loan to an associate		4,679	4,712
Deferred tax assets		679	673
		141,077	46,776
Current assets			
Inventories		30,350	22,120
Trade and other receivables	12	30,915	19,501
Amount due from a joint venture		72	84
Amount due from an associate		934	721
Current tax recoverable		456	448
Time deposits maturing over three months		660	647
Cash and bank balances		23,648	31,600
		87,035	75,121
Current liabilities			
Trade and other payables	13	21,271	11,254
Contract liabilities		93	127
Lease liabilities		3,475	–
Bank borrowings	14	1,206	1,095
Current tax liabilities		2,451	442
		28,496	12,918
Net current assets		58,539	62,203
Total assets less current liabilities		199,616	108,979

Unaudited Condensed Consolidated Statement of Financial Position

AS AT 30 JUNE 2019

	<i>Notes</i>	As at 30 June 2019 (Unaudited) RM'000	As at 31 December 2018 (Audited) RM'000
Non-current liabilities			
Lease liabilities		20,366	–
Bank borrowings	14	9,405	9,574
Deferred tax liabilities		742	743
		30,513	10,317
NET ASSETS			
		169,103	98,662
Equity			
Share capital	15	30,255	27,285
Reserves		138,188	71,377
Equity attributable to owners of the Company			
		168,443	98,662
Non-controlling interests		660	–
TOTAL EQUITY			
		169,103	98,662

Unaudited Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 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	-	-	-	-	612	612	-	612
Exchange differences								
on translation of foreign operations	-	-	-	(1,782)	-	(1,782)	-	(1,782)
Share of other comprehensive income of a joint venture, net of tax	-	-	-	(41)	-	(41)	-	(41)
Share of other comprehensive income of an associate, net of tax	-	-	-	91	-	91	-	91
Total comprehensive income	-	-	-	(1,732)	612	(1,120)	-	(1,120)
Balance as at 30 June 2018 (unaudited)	27,285	3,609	42,208	(5,224)	28,383	96,261	-	96,261
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	-	-	-	-	(4,013)	(4,013)	(210)	(4,223)
Exchange differences								
on translation of foreign operations	-	-	-	(486)	-	(486)	(6)	(492)
Share of other comprehensive income of a joint venture, net of tax	-	-	-	(15)	-	(15)	-	(15)
Share of other comprehensive income of an associate, net of tax	-	-	-	39	-	39	-	39
Total comprehensive income	-	-	-	(462)	(4,013)	(4,475)	(216)	(4,691)
<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 June 2019 (unaudited)	30,255	74,895	42,208	(3,599)	24,684	168,443	660	169,103

Unaudited Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	Six months ended 30 June	
		2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
Net cash (used in)/generated from operating activities		(3,441)	221
Net cash used in investing activities		(3,547)	(507)
Net cash used in financing activities		(861)	(2,779)
Net decrease in cash and cash equivalents		(7,849)	(3,065)
Cash and cash equivalents at beginning of period		30,758	36,376
Effect of exchange rate changes		(207)	(1,120)
Cash and cash equivalents at the end of period		22,702	32,191
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		23,648	32,487
Bank overdraft	14	(946)	(296)
		22,702	32,191

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 Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sale of elastic textile and webbings 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 interim financial statements have been prepared in accordance with International Financial Reporting Standard (“**IFRS**”) 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (“**IASB**”) and the applicable disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost basis.

The unaudited condensed consolidated interim financial statements are presented in Malaysian Ringgit (“**RM**”) which is the functional currency of the Company’s major operating subsidiaries and all values are rounded to the nearest thousand (RM’000) except when otherwise indicated.

The unaudited condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 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 interim 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 and webbings 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 interim financial statements.

There were no separate segment assets and segment liabilities information provided to the CODM as the CODM does not use this information to allocate resources and evaluate the performance of the operating segments.

Notes to the Financial Information

Six months ended 30 June 2019 (unaudited)

	Elastic textile RM'000	Webbing RM'000	Other manufacturing products RM'000	Retail RM'000	Elimination RM'000 (Note)	Total RM'000
Revenue						
Revenue from external customers	25,464	17,495	5,583	1,954	-	50,496
Inter-segment revenue	269	32	21	-	(322)	-
Total revenue	25,733	17,527	5,604	1,954	(322)	50,496
Segment cost of sales	(20,092)	(14,171)	(4,275)	(1,033)	642	(38,929)
Gross profit	5,641	3,356	1,329	921	320	11,567
Other income, net						265
Distribution costs						(3,871)
Administrative expenses						(10,902)
Interest income						221
Finance costs						(493)
Share of profit of a joint venture, net of tax						78
Share of loss of an associate, net of tax						(400)
Loss before income tax expense						(3,535)
Income tax expense						(688)
Loss for the period						(4,223)

Other segment item included in the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the Period is as follows:

	1,038	246	204	-	-	1,488
Depreciation included in cost of sales						

Note: Included in segment cost of sales was intra-group rental expenses of RM320,000 and the corresponding rental income was eliminated in "other income, net" in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

Notes to the Financial Information

Six months ended 30 June 2018 (unaudited)

	Elastic textile RM'000	Webbing RM'000	Other manufacturing products RM'000	Retail RM'000	Elimination RM'000 (Note)	Total RM'000
Revenue						
Revenue from external customers	23,349	15,547	5,600	-	-	44,496
Inter-segment revenue	38	-	1	-	(39)	-
Total revenue	23,387	15,547	5,601	-	(39)	44,496
Segment cost of sales	(17,518)	(12,193)	(4,515)	-	360	(33,866)
Gross profit	5,869	3,354	1,086	-	321	10,630
Other income, net						208
Distribution costs						(1,320)
Administrative expenses						(7,964)
Interest income						313
Finance costs						(398)
Share of profit of						
a joint venture, net of tax						50
Share of loss of an associate, net of tax						(530)
Profit before income tax expense						989
Income tax expense						(377)
Profit for the period						612
Other segment item included in the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the Period is as follows:						
Depreciation included in cost of						
sales	941	179	123	-	-	1,243

Note: Included in segment cost of sales was intra-group rental expenses of RM321,000 and the corresponding rental income was eliminated in "other income, net" in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

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 and Vietnam, and the retail business is based in 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.

	Six months ended 30 June	
	2019	2018
	(Unaudited) RM'000	(Unaudited) RM'000
Revenue from external customers		
Malaysia	4,619	3,949
Vietnam	18,196	14,996
Asia Pacific (excluding Malaysia and Vietnam)	13,039	12,907
Europe	5,558	3,925
North America	8,818	8,532
Others	266	187
Total	50,496	44,496

(c) Information about major customers

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

	Six months ended 30 June	
	2019	2018
	(Unaudited) RM'000	(Unaudited) RM'000
Customer A	6,238	4,772
Customer B	–	4,520

All revenue from customers during the period ended 30 June 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

	Six months ended 30 June	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
Loss on foreign exchange, net		
– realised	(38)	(78)
– unrealised	(27)	(83)
Commission income	117	192
Gain on disposal of property, plant and equipment	59	4
Sales of scrap	24	23
Others	130	150
Total	265	208

6. FINANCE COSTS

	Six months ended 30 June	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
Interest on bank overdrafts	14	1
Interest on bank borrowings	372	385
Interest on obligations under finance leases	–	12
Interest on lease liabilities	107	–
Total	493	398

Notes to the Financial Information

7. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	(Unaudited) RM'000	(Unaudited) RM'000
(Loss)/profit before income tax expense is arrived at after charging/(crediting):		
Auditor's remuneration	201	172
Amortisation of intangible assets	8	12
Depreciation of property, plant and equipment	1,623	1,487
Depreciation of right-of-use assets	269	–
Impairment loss on trade receivables	5	–
Interest income from:		
– fixed deposits	(116)	(232)
– bank balances	(36)	(15)
– advance to an associate	(69)	(66)
Inventories written down	235	196
Reversal of inventories written down	(2)	(48)
Net gain on disposal of property, plant and equipment	(59)	(4)
Rental expenses on:		
– building	117	166
– land	–	122
Employee costs included in:		
– cost of sales	8,756	8,242
– distribution costs	443	199
– administrative expenses	6,725	5,796

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	(Unaudited) RM'000	(Unaudited) RM'000
Current tax		
– provision for the period	688	377

The Malaysian income tax is calculated at the statutory tax rate of 24% of the estimated taxable profits for the six months ended 30 June 2019 and 2018 whereas the Vietnamese corporate income tax during the six months ended 30 June 2019 and 2018 is calculated at the preferential tax rate of 15% on the assessable profits.

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. (LOSS)/EARNINGS PER SHARE

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

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

	Six months ended 30 June	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
(Loss)/Earnings		
(Loss)/Profit for the period attributable to owners of the Company	(4,013)	612
Number of shares		
Weighted average number of ordinary shares in issue during the Period	504,928,177	504,000,000

Diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no dilutive potential ordinary shares outstanding for the periods ended 30 June 2019 and 2018.

11. PROPERTY, PLANT AND EQUIPMENT

During the Period, additions to property, plant and equipment amounted to RM6.1 million (during the six months ended 30 June 2018: RM2.3 million).

Notes to the Financial Information

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 (Unaudited) RM'000	As at 31 December 2018 (Audited) RM'000
Trade receivables	20,881	14,889
Less: Allowance for impairment losses	(366)	(364)
	20,515	14,525
Bills receivable	238	–
Other receivables	10,162	4,976
	30,915	19,501

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

The ageing analysis of trade and bills receivables, based on invoice dates and before allowance for impairment losses, as at 30 June 2019 and 31 December 2018 are as follows:

	As at 30 June 2019 (Unaudited) RM'000	As at 31 December 2018 (Audited) RM'000
Within 30 days	9,418	7,132
31 to 60 days	6,604	4,514
61 to 90 days	3,156	995
Over 90 days	1,941	2,248
	21,119	14,889

Notes to the Financial Information

13. TRADE AND OTHER PAYABLES

	As at 30 June 2019 (Unaudited) RM'000	As at 31 December 2018 (Audited) RM'000
Trade payables	7,521	4,375
Bills payable	5,208	3,096
Other payables	8,542	3,783
	21,271	11,254

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

The ageing analysis of trade and bills payables, based on invoice dates, as at 30 June 2019 and 31 December 2018 are as follows:

	As at 30 June 2019 (Unaudited) RM'000	As at 31 December 2018 (Audited) RM'000
Within 30 days	4,754	3,528
31 to 60 days	3,413	1,719
61 to 90 days	2,000	900
Over 90 days	2,562	1,324
	12,729	7,471

Notes to the Financial Information

14. BANK BORROWINGS

	As at 30 June 2019 (Unaudited) RM'000	As at 31 December 2018 (Audited) RM'000
Term loans (secured)	9,665	9,827
Bank overdraft (secured)	946	842
	10,611	10,669
Borrowings are repayable as follows:		
– within one year	1,206	1,095
– after one year but within two years	275	265
– after two years but within five years	916	887
– after five years	8,214	8,422
	10,611	10,669
Amount due within one year included in current liabilities	1,206	1,095
Amount included in non-current liabilities	9,405	9,574

Notes to the Financial Information

15. SHARE CAPITAL

	Number	Amount HK\$'000	
Ordinary shares of par value of HK\$0.1 each			
Authorised			
At 1 January 2018, 31 December 2018, 1 January 2019 and 30 June 2019			
	1,000,000,000	100,000	
	Number	Amount HK\$'000	Amount RM'000
Ordinary shares of par value of HK\$0.1 each			
Issued and fully paid			
At 1 January 2018, 31 December 2018			
and 1 January 2019	504,000,000	50,400	27,285
Issue of new shares (Note)	56,000,000	5,600	2,970
At 30 June 2019	560,000,000	56,000	30,255

Note On 12 March 2019, the Company entered into the sale and purchase agreement (the "**S&P Agreement**") with Triump Star Global Limited (the "**Vendor**") to acquire the entire issued share capital of Meinaide Holdings Group Limited (the "**Acquisition**") for the consideration of HK\$140,000,000 (the "**Consideration**"), which was satisfied by the Company by its allotment and issue of 56,000,000 new shares in the Company (the "**Consideration Shares**"), credited as fully paid, at HK\$2.50 per Consideration Share to the Vendor upon completion that took place on 28 June 2019.

Notes to the Financial Information

16. OPERATING LEASES

As at 31 December 2018, the Group had operating lease commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December 2018 (Audited) RM'000
Not later than one year	2,221
Later than one year and not later than five years	19,617
Later than five years	7,296
	29,134

The Group's operating lease commitment comprises the following:

- (i) rental of three parcels of land under operating leases to industrial zone owners in Vietnam. The leases will expire in 2044 and 2048, with an option to renew the lease at the end of the lease term;
- (ii) rental of a factory for a period of three years, with an option to renew the lease at the end of the lease term; and
- (iii) rental of shops for a period of five years, with an option to renew the lease at the end of the lease term.

None of the leases included contingent rentals.

As at 30 June 2019, the Group recognised the right-of-use of the leased assets and lease liabilities in the unaudited condensed consolidated statement of financial position upon the adoption of IFRS 16.

Notes to the Financial Information

17. RELATED PARTY TRANSACTIONS

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

Name of related party	Relationship	Nature of transactions	Six months ended 30 June	
			2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
Trunet (Vietnam) Co., Ltd.	Joint venture	Sales of goods	596	635
		Sales of services	98	96
		Purchases of materials	(4)	(39)
		Purchase of goods	(21)	–
		Commission received/ receivable	44	33
		Rental income	50	49
		Dividend received	205	291
Furnitech Components (Vietnam) Co., Ltd.	Associate	Interest income	69	66
		Commission income	73	58
		Business development fee	105	101
		Sales of goods	2	32
		Rental expense	(24)	(23)
		Purchase of materials	–	(54)
		Purchase of goods	(135)	–

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

Notes to the Financial Information

(b) Compensation of key management personnel

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

The remuneration of Directors during the Period was as follows:

	Six months ended 30 June	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
Fee	161	130
Salaries, allowances, other benefits and bonus	1,201	1,151
Contributions to defined contribution plans	220	217
	1,582	1,498

18. CAPITAL COMMITMENTS

	As at 30 June 2019 (Unaudited) RM'000	As at 31 December 2018 (Audited) RM'000
Commitments for the acquisition of property, plant and equipment: contracted for but not provided	253	1,707

19. CONTINGENT LIABILITIES

	As at 30 June 2019 (Unaudited) RM'000	As at 31 December 2018 (Audited) RM'000
Corporate guarantee given to a bank for credit facilities granted to an associate – unsecured		
– Limit of guarantee	2,071	2,086
– Amount utilised	2,071	2,086

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

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.

(i) Elastic textile

For the Period, the revenue of elastic textile increased by RM2.2 million or 9.4% as compared to the corresponding period of 2018. Revenue of covered elastic yarn increased by 30.7% mainly due to an increase in sales orders from the customers in Malaysia, Vietnam, Pakistan, Europe and North America as well as an increase in average selling price during the Period. For narrow elastic fabric, despite an increase in sales volume by 21.4%, revenue decreased by 16.0% 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 RM2.0 million or 12.9% as compared to the corresponding period of 2018. This was mainly attributable to total increase in sales volume of 9.9% for both furniture webbing and seat belt webbing in Vietnam and Asia Pacific region (excluding Malaysia and Vietnam) during the Period.

(iii) Other manufacturing products

During the Period, the revenue of other manufacturing products amounted to RM5.6 million which was consistent with the corresponding period of 2018.

(iv) Polyvinyl Chloride (“PVC”) products

On 28 June 2019, the Group has completed the acquisition of the entire issued share capital of Meinaide Holdings Group Limited (together with its subsidiaries upon completion, the “Meinaide Group”), whose subsidiary in the People’s Republic of China (“PRC”) is mainly engaged in the production and sale of PVC related products in the PRC. The financial results of the Meinaide Group were consolidated to the Group’s unaudited condensed consolidated interim financial statements since 28 June 2019.

Management Discussion and Analysis

(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 on 29 April 2019. The second flagship store was opened in IconSiam, Bangkok on 21 July 2019.

The Retail Division generated revenue amounted to RM2.0 million for the Period (2018: Nil).

FINANCIAL REVIEW

Revenue

The Group’s revenue for the Period amounted to RM50.5 million, representing an increase of RM6.0 million or 13.5% as compared with RM44.5 million for the corresponding period of 2018.

A majority of the Group’s revenue was contributed by the Manufacturing Division, which accounted for approximately 96.1% of the total revenue for the Period (2018: 100%). Revenue generated from the sale of elastic textile and webbing products accounted for approximately 50.9% and 34.7% of the total revenue respectively during the Period and 52.5% and 34.9% respectively during the corresponding period of 2018.

Revenue from the Manufacturing Division increased by RM4.0 million mainly due to an 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 RM2.0 million to the Group (representing 3.9% of total revenue)(2018: Nil) upon the opening of its first flagship store in Singapore at the end of April 2019.

During the Period, domestic sales and export sales accounted for around 49.1% and 50.9% (2018: 42.6% and 57.4%) of the total revenue, respectively. Asia Pacific region (excluding Malaysia and Vietnam), Europe and North America continued to be the major export countries of the Group during both periods.

Cost of Sales

For the Period, the cost of sales of the Group amounted to RM38.9 million (2018: RM33.9 million), representing an increase of RM5.0 million or 14.7% compared to the corresponding period in 2018. 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 RM11.6 million (2018: RM10.6 million), representing an increase of RM1.0 million or 9.4% as compared to the corresponding period of 2018.

The gross profit margin of the Group decreased from 23.9% to 22.9% 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) an increase in raw material costs of crude-oil based yarn, chemical and dye stuff; and (iii) 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 increase in other income was mainly due to a decrease in losses arising from realised and unrealised foreign exchange during the Period.

Distribution Costs

The increase in distribution costs was mainly due to the selling and marketing expenses of RM2.5 million incurred for the Retail Division during the Period (2018: Nil). The Retail Division commenced its operation from the second quarter of 2019 onwards, and hence incurred marketing expenses for grand opening events, marketing initiative, expenses for promotion events to reach out to customers, store staff costs as well as store rental and depreciation expenses. Setting aside the selling and marketing expenses incurred for the Retail Division, the distribution cost for the Manufacturing Division was RM1.3 million, which was consistent with the corresponding period of 2018.

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 RM10.9 million (2018: RM8.0 million), representing an increase of RM2.9 million or 36.3% as compared to the corresponding period in 2018. The increase was mainly due to (i) professional fees of RM1.5 million incurred for the acquisition of Meinaide Holdings Group Limited completed on 28 June 2019 (the "**Acquisition**"); (ii) pre-operating expense and administrative expenses of RM1.1 million (2018: Nil) incurred by the Retail Division; and (iii) a general increase in salary and additional headcount of managerial staff and hence higher corporate expenses during the Period.

Management Discussion and Analysis

Loss for the Period

For the Period, the loss amounted to RM4.2 million (2018: profit of RM0.6 million), representing a decrease of approximately RM4.8 million as compared to the corresponding period in 2018. The loss incurred was mainly due to (i) one-off professional fee of RM1.5 million in relation to the Acquisition and (ii) total marketing and distribution cost, pre-operating and administrative expenses amounted to RM3.7 million incurred by the Retail Division during the Period.

Setting aside the one-off professional fee in relation to the Acquisition, corporate expenses and the losses incurred by the Retail Division, the Manufacturing Division was making a profit of RM0.9 million during the Period.

LIQUIDITY AND FINANCIAL RESOURCES

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

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

As at 30 June 2019, the Group's total equity attributable to owners of the Company amounted to RM168.4 million (As at 31 December 2018: RM98.7 million).

As at 30 June 2019, the Group's net current assets were approximately RM58.5 million (As at 31 December 2018: RM62.2 million) and the Group had cash and bank balances of approximately RM23.6 million (As at 31 December 2018: RM31.6 million). The Group had bank borrowings of approximately RM10.6 million (As at 31 December 2018: RM10.7 million).

The interest rates of the Group's term loan and bank overdraft as at 30 June 2019 and 31 December 2018 ranged from 4.72% to 8.89% and 4.97% to 9.04% per annum respectively.

As at 30 June 2019, the Group's current ratio (calculated by dividing current assets by current liabilities as at the end of the Period) was approximately 3.1 times (As at 31 December 2018: 5.8 times). The Group's gearing ratio (calculated by dividing total debt by total equity as at the end of the Period and then multiplying by 100%) was approximately 6.3% (As at 31 December 2018: 10.8%).

Management Discussion and Analysis

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

CAPITAL STRUCTURE

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

DIVIDEND

The Board does not declare the payment of any interim dividend for the Period (2018: Nil).

SIGNIFICANT INVESTMENT HELD BY THE GROUP

As at 30 June 2019, there was no significant investment held by the Group (2018: Nil).

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 12 March 2019, a sale and purchase agreement ("**S&P Agreement**") was entered into among the Company, Triumph Star Global Limited (the "**Vendor**") and Ms. Jim Ka Man (the guarantor of the Vendor) for the acquisition of the entire issued share capital of Meinaide Holdings Group Limited (the "**Acquisition**") for the consideration of HK\$140,000,000 (the "**Consideration**"), which was satisfied by the Company by its allotment and issue of 56,000,000 new shares of the Company (the "**Consideration Shares**"), credited as fully paid, at the issue price of HK\$2.50 per Consideration Share to the Vendor upon completion, which took place on 28 June 2019. The Acquisition constituted a major transaction for the Company under Chapter 19 of the GEM Listing Rules.

Following the completion of the Acquisition, Meinaide Holdings Group Limited has become a direct wholly-owned subsidiary of the Company and its financial results were consolidated to the Group's unaudited condensed consolidated interim financial statements.

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

PLEDGE OF ASSETS

As at 30 June 2019 and 31 December 2018, freehold land, long term leasehold land, buildings and certain plant and machinery of the Group with carrying amount of RM23.1 million and RM23.7 million respectively were pledged to licensed banks as security for credit facilities granted to the Group.

Management Discussion and Analysis

FUTURE PLAN FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed in this report, the Group does not have other plans for material investments and capital assets for the year ending 31 December 2019 as at the date of this report.

CONTINGENT LIABILITY

As at 30 June 2019, the contingent liability of the Group is related to an unsecured corporate guarantee given to a bank for credit facilities granted to an associate of RM2.1 million (As at 31 December 2018: RM2.1 million).

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

CAPITAL COMMITMENTS

As at 30 June 2019, the capital commitments of the Group are related to acquisition of property, plant and equipment of RM0.3 million (As at 31 December 2018: RM1.7 million).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group employed 827 employees (2018: 859 employees). The Group had lesser number of employees in 2019 as compared to 2018. Employee costs amounted to approximately RM15.9 million for the Period (2018: approximately RM14.2 million). The Group will endeavor to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' remuneration is determined based on their performance. The Company has also adopted a share option scheme (the "**Share Option Scheme**") with the primary purpose to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Company.

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

SHARE OPTION SCHEME

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

Management Discussion and Analysis

FOREIGN CURRENCY RISK

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

SUBSEQUENT EVENT

On 7 August 2019, the Company entered into a shares sale agreement with PRG Holdings (the Controlling Shareholder) pursuant to which 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, at the consideration of RM608,581.21 (equivalent to approximately HK\$1,149,975.05) (the "**Disposal**") subject to, among others, (i) the settlement of the intercompany balances, due and owing by PRG Holdings to the Company, pursuant to an assignment of debt agreement to be entered into among the Company, PRG Holdings and Premier Management International Limited in the sum of RM15,891,418.79 (equivalent to approximately HK\$30,028,424.95) in full and (ii) the satisfaction of the conditions precedent contained in the shares sale agreement. 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.

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

Management Discussion and Analysis

COMPARISON OF BUSINESS OBJECTIVES AND STRATEGIES WITH ACTUAL BUSINESS PROGRESS

The principal business objective of the Group is to enhance our market share in the elastic textile and webbing industry and continue to strengthen our competitive strengths. An analysis comparing the business objectives as set out in the prospectus issued by the Company on 29 September 2017 (the "Prospectus") with the Group's actual business progress for the period from the date of the Listing to 30 June 2019 is set out below:

Business strategies	Implementation plans	Sources of funding	Actual business progress up to 30 June 2019
(i) Expand our production capacity	Expand the production capacity for narrow elastic fabrics, covered elastic yarn and seat belt webbing to cater for the growing demand for these products by constructing a new factory in Vietnam and acquiring new machines.	Listing proceeds of approximately RM17.6 million (equivalent to HK\$32.4 million)	<ul style="list-style-type: none"> - Acquired machineries for narrow elastic fabric, covered elastic yarn and seat belt webbing of RM4.6 million. Further, the Group has also upgraded certain machines for rubber tape, fire protection and lighting system of RM0.4 million. - Due to uncertainty of the market condition and stiff competition in Vietnam, the performance of narrow elastic fabric in the Vietnam market was below expectation. The construction of a new factory for narrow elastic fabric of RM8.4 million was put on hold after considering the risk and return of the expansion. Acquisition schedule of certain machines such as weaving, cutting and covering machines was also delayed and will be adjusted by the management of the Group based on market demand and outlook from time to time.

Management Discussion and Analysis

Business strategies	Implementation plans	Sources of funding	Actual business progress up to 30 June 2019
(ii) Move into new product applications and markets	Explore the business potential of our existing products by expanding the application of narrow elastic fabric to sportswear and tapping into the South Korean market for our seat belt webbing.	Our internal resources of the Group	<ul style="list-style-type: none"> <li data-bbox="687 272 1000 488">– The management constantly monitors the economy conditions and market performance by evaluating the customers' orders trend, market demand and industry outlook. The production capacity will be expanded in more cautious manner by reassessing the performance of every products. <li data-bbox="687 528 1000 711">– Carrying on-going discussion and developing narrow elastic fabric samples for prospective customers that manufacture sportswear. A small quantity of orders was received from some local customers. The management is still working with other potential brands of manufacturers. <li data-bbox="687 783 1000 1099">– The customer's priority is for us to focus on supplying to India to replace part of their imports from South Korea as there will be launches of new car model early next year. Since the specification of the new car model is the same as in South Korea, the South Korean safety belt manufacturer will consider sourcing seat belt webbing from the Group in phases after we have fulfilled India's requirements on replacement of part of their imports from South Korea.

Management Discussion and Analysis

Business strategies	Implementation plans	Sources of funding	Actual business progress up to 30 June 2019
(iii) Enhance our quality control systems	Enhance our quality control system by increasing headcount and improving the training program for our quality control department.	Our internal resources of the Group	<ul style="list-style-type: none"> – Hired additional production staff to improve the quality control system and processes. The improvement process and internal training are on-going.
(iv) Upgrade our information technology systems	Upgrade enterprise resource planning ("ERP") system	Listing proceeds of approximately RM1.1 million (equivalent to HK\$2.0 million)	<ul style="list-style-type: none"> – Acquired a Manufacturing Execution System ("MES") software to improve the operation and control over our production system. The management is evaluating the performance of the MES software and may extend its application to other operations of the Group. <p>The management is considering the proposals to upgrade the accounting systems and their effective integration with MES software.</p> <ul style="list-style-type: none"> – The management considers the foregoing action plans as a substitute to the single ERP system is more efficient and cost effective.

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

Management Discussion and Analysis

USE OF PROCEEDS

The net proceeds from the share offer from the date of the Listing to 30 June 2019, after deducting underwriting fees and other expenses payable by the Group in connection thereto, were approximately HK\$35.6 million (or RM19.3 million at the exchange rate of approximately RM1.00 to HK\$1.84) as disclosed in the Prospectus and were used as follows:

	Planned use of net proceeds from the Listing as stated in the Prospectus	Actual use of proceeds from the date of Listing to 30 June 2019	Unutilised amount as at 30 June 2019
	RM'million	(Note (a)) RM'million	(Note (b)) RM'million
Expand our production capacity	17.6	5.0	12.6
Upgrade our information technology systems	1.1	0.1	1.0
Funding of our working capital and general corporate purposes	0.6	0.6	–
	19.3	5.7	13.6

Notes:

- (a) Please refer to the section headed “Comparison of business objectives and strategies with actual business progress” in this report for the update of the actual business progress up to 30 June 2019.
- (b) The unutilised proceeds are deposited in licensed banks.

Management Discussion and Analysis

FUTURE PROSPECTS AND OUTLOOK

The on-going trade spat between United States with China and other countries as well as Brexit have raised uncertainty in the market which resulted in a lower global growth projection. 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.

Apart from that, raw material cost especially the crude-oil based yarn remains volatile and is in line with the crude oil price. Adverse movement either way will affect the gross profit margin of the Group. The Group is closely monitoring the raw material prices on a regular basis and adjusting the procurement plan and pricing strategy from time to time. Further, any significant movement in the exchange rate between RM and USD may also result in foreign exchange gains or losses, which may affect the Group's performance as the Group derives a significant amount of its revenue in USD.

In view of the rapid change of global economy and competition landscape, the Group is constantly strengthening the market position of its manufacturing segment by exploring new potential export markets, broadening its product 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. 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.

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 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;
- (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 June 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 on GEM (the "**Listing**"), has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules.

As at 30 June 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 (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 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 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 June 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 of securities (Note 1)	Approximate percentage of shareholding (Note 4)
Dato' Lim Heen Peok	PRG Holdings (Note 2)	Beneficial owner	108,800 shares of RM0.25 each (L)	0.03%
Mr. Cheah Eng Chuan	PRG Holdings (Note 2)	Beneficial owner	15,527,716 shares of RM0.25 each (L)	4.64%
Mr. Tan Chuan Dyi	PRG Holdings (Note 2)	Beneficial owner	62,000 shares of RM0.25 each (L)	0.02%
Dato' Lua Choon Hann	PRG Holdings (Note 2)	Beneficial owner	64,205,400 shares of RM0.25 each (L)	19.20%
		Interest of spouse	262,000 shares of RM0.25 each (L) (Note 3)	0.08%

Notes:

- The letter "L" denotes the long position of the Director in the shares in PRG Holdings.
- PRG Holdings is the holding company and the associated corporation of the Company within the meaning under Part XV of the SFO.
- 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.
- The percentage of shareholding is calculated on the basis of 334,405,000 shares of RM0.25 each in PRG Holdings in issue as at 30 June 2019.

Other Information

(2) Long positions (in respect of equity derivatives) in underlying shares in the associated corporation of the Company

Name of Directors	Name of the associated corporation	Capacity/ Nature of interest	Number of securities (Notes 1 and 3)	Approximate percentage of shareholding (Note 5)
Dato' Lim Heen Peok	PRG Holdings (Note 2)	Beneficial owner	40,800 shares of RM0.25 each (L)	0.01%
Dato' Lua Choon Hann	PRG Holdings (Note 2)	Beneficial owner	16,631,500 shares of RM0.25 each (L)	4.97%
		Interest of spouse	38,000 shares of RM0.25 each (L) (Note 4)	0.01%
Mr. Cheah Eng Chuan	PRG Holdings (Note 2)	Beneficial owner	5,175,518 shares of RM0.25 each (L)	1.55%
Dato' Sri Dr. Hou Kok Chung	PRG Holdings (Note 2)	Beneficial owner	205,000 shares of RM0.25 each (L)	0.06%

Notes:

1. The letter "L" denotes the long position of the Director in the underlying shares in PRG Holdings.
2. PRG Holdings is the holding company and the associated corporation of the Company within the meaning under Part XV of the SFO.
3. The equity derivatives were warrants issued by PRG Holdings pursuant to a deed poll dated 2 June 2014 which entitle the registered holders thereof to subscribe for new ordinary shares in PRG Holdings at the adjusted exercise price of RM0.375 each (subject to adjustment pursuant to the terms of the deed poll) within a period of five years commencing on the date of issue of the warrants (that is, 7 July 2014).
4. Dato' Lua Choon Hann was deemed to be interested in the underlying shares in PRG Holdings held directly by his spouse (and vice versa) under Part XV of the SFO.
5. The percentage of shareholding is calculated on the basis of 334,405,000 shares of RM0.25 each in PRG Holdings in issue as at 30 June 2019.

Save as disclosed above, none of the Directors or chief executive of the Company had, or was deemed to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2019.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 30 June 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 (the "Shares") of HK\$0.10 each in the Company

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held (Note 1)	Approximate percentage of shareholding (Note 6)
PRG Holdings (Notes 2&3)	Beneficial owner	303,468,000 Shares (L)	54.19%
Ong Asia Securities (HK) Limited (" Ong Asia ")	Security interest	257,000,000 Shares (L) (Notes 4 and 5)	45.89%

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 257,000,000 Shares as security to a person other than a qualified lender on 16 January 2019.
3. Dato' Lua Choon Hann, an executive Director, is the group vice chairman to PRG Holdings.
4. According to the disclosure of interest filed by Ong Asia, it had created a security interest over 257,000,000 Shares on 16 January 2019. Ong Asia was wholly owned by KE Holdings Limited ("**KE Holdings**"), which in turn was wholly owned by MKE Holdings Limited ("**MKE**"). MKE was wholly owned by Maybank IB Holdings Sdn Bhd ("**Maybank**"), which in turn was wholly owned by Malayan Banking Berhad ("**MBB**"). MBB, Maybank, MKE and KE Holdings was each deemed to be interested in the security interest over 257,000,000 Shares under Part XV of SFO.
5. Subsequent to 30 June 2019 and as at the date of this report:
 - (a) according to the disclosure of interest filed by Ong Asia, Ong Asia ceased to have a security interest in the 257,000,000 Shares on 24 July 2019; and
 - (b) 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 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.
6. The percentage of shareholding is calculated on the basis of 560,000,000 Shares in issue of the Company as at 30 June 2019.

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 regarding Directors' dealings in securities of the Company. Having made specific enquiry to the Directors, all Directors have confirmed that they have complied with the required standard of dealings and there is no event of non-compliance during the Period.

REVIEW OF FINANCIAL STATEMENTS

The Company established 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.

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, 8 August 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, Mr. Tan Chuan Dyi, Dato' Lua Choon Hann and Mr. Qu Weidong, 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 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>.