FURNIWEB HOLDINGS LIMITED
飛 霓 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8480)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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 announcement, 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 announcement 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 announcement misleading.*

ANNUAL RESULTS

The Board of Directors of the Company (the "**Board**") announces the audited consolidated results of the Group for the year ended 31 December 2018 (the "**Financial Year**"), together with the comparative audited figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**2018** RM'000	2017 RM'000
Revenue	*4*	**92,565**	109,745
Cost of sales		**(71,573)**	(79,514)
Gross profit		**20,992**	30,231
Other income, net	*5*	**1,028**	6,432
Distribution costs		**(2,682)**	(3,048)
Administrative expenses		**(16,953)**	(22,355)
Interest income		**651**	368
Finance costs	*6*	**(649)**	(1,144)
Share of loss of an associate, net of tax		**(1,029)**	(290)
Share of profit of a joint venture, net of tax		**332**	282
Profit before income tax expense	*7*	**1,690**	10,476
Income tax expense	*8*	**(764)**	(1,902)
Profit for the year		**926**	8,574
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**387**	(3,099)
Reclassification adjustments for a foreign subsidiary disposed of during the year		**–**	(104)
Share of other comprehensive income of an associate		**(28)**	(45)
Share of other comprehensive income of a joint venture		**(4)**	(88)
Other comprehensive income for the year, net of tax		**355**	(3,336)
Total comprehensive income for the year		**1,281**	5,238

	Notes	**2018**	2017
		RM'000	*RM'000*
Profit/(loss) attributable to:			
Owners of the Company		**926**	8,804
Non-controlling interests		**–**	(230)
		926	8,574
Total comprehensive income attributable to:			
Owners of the Company		**1,281**	5,261
Non-controlling interests		**–**	(23)
		1,281	5,238
Earnings per share:			
Basic and diluted (cents)	*10*	**0.18**	2.18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 RM'000	2017 RM'000
Non-current assets			
Property, plant and equipment		**34,815**	33,478
Intangible assets		**1,255**	1,275
Interest in a joint venture		**1,146**	1,109
Interest in an associate		**4,175**	5,231
Loan to an associate		**4,712**	–
Deferred tax assets		**673**	177
		46,776	41,270
Current assets			
Inventories		**22,120**	21,481
Trade and other receivables	*11*	**19,501**	17,670
Amount due from a joint venture		**84**	78
Amount due from an associate		**721**	4,853
Current tax recoverable		**448**	375
Time deposits maturing over three months		**647**	1,817
Cash and bank balances		**31,600**	36,376
		75,121	82,650
Current liabilities			
Trade and other payables	*12*	**11,254**	13,787
Contract liabilities		**127**	–
Obligations under finance leases		**–**	270
Bank borrowings		**1,095**	647
Current tax liabilities		**442**	499
		12,918	15,203
Net current assets		**62,203**	67,447
Total assets less current liabilities		**108,979**	108,717

	Notes	**2018**	2017
		RM'000	*RM'000*
Non-current liabilities			
Obligations under finance leases		**–**	340
Bank borrowings		**9,574**	9,917
Deferred tax liabilities		**743**	854
		10,317	11,111
NET ASSETS		**98,662**	97,606
EQUITY			
Share capital		**27,285**	27,285
Reserves		**71,377**	70,321
TOTAL EQUITY		**98,662**	97,606

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND REORGANISATION

(a) 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 shares were listed on the GEM of The Stock Exchange of Hong Kong Limited since 16 October 2017. The address 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 and webbings. The ultimate holding company of the Company is PRG Holdings Berhad ("**PRG Holdings**") which is a public limited liability company incorporated in Malaysia and the shares of which are listed on the Main Market of Bursa Malaysia Securities Berhad.

(b) Reorganisation

Pursuant to a group reorganisation (the "**Reorganisation**") in preparation for the listing of the shares of the Company on GEM (the "**Listing**"), the Company became the holding company of the subsidiaries of which the Group is comprised of on 21 September 2017. Details of the Reorganisation are set out in "History, Reorganisation and Corporate Structure – Our Reorganisation" in the prospectus of the Company dated 29 September 2017 in connection with the Listing (the "**Prospectus**").

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), International Accounting Standards ("**IAS**"), amendments and interpretations (hereinafter collectively referred to as the "**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and the applicable disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost basis.

The audited 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.

Adoption of new or revised IFRSs effective for annual periods beginning on or after 1 January 2018

Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IAS 28, Investments in Associates and Joint Ventures
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarifications to IFRS 15)
IFRIC 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above accounting standards and amendments did not have any material effect on the financial statements of the Group except for the adoption of IFRS 9.

IFRS 9 Financial Instruments

IFRS 9 introduces the expected credit loss ("**ECL**") model on impairment that replaces the incurred loss model used in IAS 39. The ECL model requires impairment to be recognised on initial recognition including expected future credit losses whilst the incurred loss model only requires recognition of credit loss incurred as at reporting date.

The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

As a result, the total ECL allowances computed under IFRS 9 is higher than the total allowance for impairment under IAS 39 as a more forward-looking approach is adopted.

The following tables summarised the impact, net of tax, of transition to IFRS 9 on the opening balance of retained earnings and exchange translation reserve as at 1 January 2018 as follows:

	RM'000
Retained earnings	
Retained earnings as at 31 December 2017	**28,000**
Increase in expected credit losses ("**ECLs**") on trade receivables	**(229)**
Restated retained earnings as at 1 January 2018	**27,771**
Exchange translation reserve	
Exchange translation reserve as at 31 December 2017	**(3,496)**
Exchange difference resulting from ECLs on trade receivables	**4**
Restated exchange translation reserve as at 1 January 2018	**(3,492)**

New or revised IFRSs that have been issued but are not yet effective

The following new or revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

IFRS 16	Leases[1]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IAS 1 and IAS 8	Definition of Material[2]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, Business Combinations[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 11, Joint Arrangements[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12, Income Taxes[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 23, Borrowing Costs[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2020

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted

IFRS 16 – Leases

IFRS 16, which upon the effective date will supersede 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.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RM29,112,000. These arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of these leases unless they qualify for short-term leases upon the application of IFRS 16. In the consolidated statement of profit or loss and other comprehensive income, depreciation will be recognised on the related right-of-use asset and interest expenses will be recognised on the lease liability instead of rental expense. Interest expenses on the lease liability will be presented separately from depreciation under finance costs.

The Group expected that the recognition of right-of-use asset and the lease liability on operating lease commitments upon adoption of IFRS 16 would result in significant increase in non-current assets and total liabilities respectively. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term on a lease by lease basis.

As allowed by IFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. The Group also plans to elect to use the modified retrospective approach for the adoption of IFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity as at 1 January 2019 and will not restate the comparative information.

Except for the adoption of IFRS 16, the Group does not expect that the adoption of the interpretation and amendments of these standards will have significant impact on the Group's results and financial position.

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. The Group determines its operating segments based on the reports reviewed by chief executive officer who is the chief operating decision-maker ("**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 consolidated financial statements.

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

Year ended 31 December 2018

	Elastic textile *RM'000*	**Webbing** *RM'000*	**Other products** *RM'000*	**Elimination** *RM'000* *(Note)*	**Total** *RM'000*
Revenue					
Revenue from external customers	**48,066**	**33,561**	**10,938**	**–**	**92,565**
Inter-segment revenue	**246**	**–**	**6**	**(252)**	**–**
Total revenue	**48,312**	**33,561**	**10,944**	**(252)**	**92,565**
Segment cost of sales	**(37,074)**	**(26,876)**	**(8,517)**	**894**	**(71,573)**
Gross profit	**11,238**	**6,685**	**2,427**	**642**	**20,992**
Other income, net					**1,028**
Distribution costs					**(2,682)**
Administrative expenses					**(16,953)**
Interest income					**651**
Finance costs					**(649)**
Share of loss of an associate, net of tax					**(1,029)**
Share of profit of a joint venture, net of tax					**332**
Profit before income tax expense					**1,690**
Income tax expense					**(764)**
Profit for the year					**926**
Other segment information:					
Depreciation included in cost of sales	**1,892**	**405**	**239**	**–**	**2,536**

Note: Included in segment cost of sales was intra-group rental expenses of RM642,000 and the corresponding rental income was eliminated in "**other income, net**" in the consolidated statement of profit or loss and other comprehensive income.

Year ended 31 December 2017

	Elastic textile *RM'000*	Webbing *RM'000*	Other products *RM'000*	Elimination *RM'000* *(Note)*	Total *RM'000*
Revenue					
Revenue from external customers	58,468	37,790	13,487	–	109,745
Inter-segment revenue	336	102	68	(506)	–
Total revenue	58,804	37,892	13,555	(506)	109,745
Segment cost of sales	(42,626)	(27,069)	(10,966)	1,147	(79,514)
Gross profit	16,178	10,823	2,589	641	30,231
Other income, net					6,432
Distribution costs					(3,048)
Administrative expenses					(22,355)
Interest income					368
Finance costs					(1,144)
Share of loss of an associate, net of tax					(290)
Share of profit of a joint venture, net of tax					282
Profit before income tax expense					10,476
Income tax expense					(1,902)
Profit for the year					8,574
Other segment information:					
Depreciation included in cost of sales	2,016	369	385	–	2,770

Note: Included in segment cost of sales was intra-group rental expenses of RM641,000 and the corresponding rental income was eliminated in "**other income, net**" in the consolidated statement of profit or loss and other comprehensive income.

(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.

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.

The non-current assets based on the geographical location of the Group's assets do not include interest in an associate, interest in a joint venture, loan to an associate and deferred tax assets ("**Specified non-current assets**").

	2018	2017
	RM'000	*RM'000*
Revenue from external customers		
Malaysia	**8,379**	8,667
Vietnam	**34,172**	38,655
Asia Pacific (excluding Malaysia and Vietnam)	**23,885**	27,960
Europe	**9,243**	16,391
North America	**16,578**	17,143
Others	**308**	929
Total	**92,565**	109,745
Specified non-current assets		
Malaysia	**20,329**	20,823
Vietnam	**13,865**	13,930
Singapore	**1,876**	–
Total	**36,070**	34,753

(c) Information about major customers

During the year ended 31 December 2018, the Group generated revenue from transactions with a single external customer from elastic textile segment of RM10,730,000 contributing over 10% of the total revenue of the Group.

During the year ended 31 December 2017, none of the external customer generated revenue contributing 10% or above of the total revenue of the Group.

All revenue from customers during the years ended 31 December 2018 and 2017 were recognised at point in time.

4. REVENUE

Revenue represents the net invoiced value of goods sold.

5. OTHER INCOME, NET

	2018	2017
	RM'000	*RM'000*
Gain/(loss) on foreign exchange, net		
– realised	**275**	(603)
– unrealised	**27**	(513)
Commission income	**199**	137
Gain on disposal of a subsidiary	**–**	6,824
Net gain on disposal of property, plant and equipment	**116**	31
Sales of scrap	**58**	215
Others	**353**	341
Total	**1,028**	6,432

6. FINANCE COSTS

	2018	2017
	RM'000	*RM'000*
Interest on bank overdrafts	**8**	9
Interest on bank borrowings	**619**	1,036
Interest on amount due to the ultimate holding company	**–**	63
Interest on obligations under finance leases	**22**	36
Total	**649**	1,144

7. PROFIT BEFORE INCOME TAX EXPENSE

	2018	2017
	RM'000	*RM'000*
Profit before income tax expense is arrived at after charging/(crediting):		
Auditors' remuneration	**395**	372
Amortisation of intangible assets	**20**	22
Cost of inventories recognised as expenses	**40,282**	41,021
Depreciation of property, plant and equipment	**3,003**	3,323
Gain on disposal of a subsidiary	**–**	(6,824)
Listing expenses (including professional fees and other expenses)	**–**	7,153
Interest income from:		
– fixed deposits	**(485)**	(82)
– bank balances	**(29)**	(39)
– advance to an associate	**(137)**	(36)
– advance to a fellow subsidiary	**–**	(211)
Inventories written down	**429**	191
Reversal of inventories written down	**(317)**	(111)
Net gain on disposal of property, plant and equipment	**(116)**	(31)
Rental expenses on:		
– building	**337**	364
– land	**249**	362
Impairment loss on trade receivables	**48**	38
Reversal of impairment loss on trade receivables	**(22)**	(10)
Employee costs included in:		
– cost of sales	**16,615**	19,790
– distribution costs	**415**	402
– administrative expenses	**11,791**	11,266

8. INCOME TAX EXPENSE

	2018	2017
	RM'000	*RM'000*
Current tax		
– provision for the year	**1,264**	2,104
– under provision in prior years	**107**	114
	1,371	2,218
Deferred tax		
– current year	**(468)**	(170)
– over provision in prior years	**(139)**	(146)
	(607)	(316)
Income tax expense	**764**	1,902

The Malaysian income tax is calculated at the statutory tax rate of 24% of the estimated taxable profits for the years ended 31 December 2018 and 2017 whereas the Vietnamese corporate income tax during the years ended 31 December 2018 and 2017 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.

9. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. During the Financial Year ended 31 December 2017 and prior to the Listing, certain subsidiaries had declared and paid dividends to PRG Holdings amounting to RM26.6 million in aggregate.

The Board does not recommend payment of any final dividend for both years ended 31 December 2018 and 2017.

10. EARNINGS PER SHARE

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

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

	2018	2017
	RM'000	*RM'000*
Earnings		
Profit for the year attributable to owners of the Company	**926**	8,804
Number of shares		
Weighted average number of ordinary shares in issue during the year	**504,000,000**	404,581,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2017 has been determined based on the assumption that the Capitalisation Issue as described in the Prospectus had been effective on 1 January 2017.

Diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding for the years ended 31 December 2018 and 2017.

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	RM'000	*RM'000*
Trade receivables	**14,889**	15,086
Less: Allowance for impairment losses	**(364)**	(108)
	14,525	14,978
Other receivables	**4,976**	2,692
	19,501	17,670

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

The ageing analysis of trade receivables, based on invoice dates and before allowance for impairment losses, as at 31 December 2018 and 2017 are as follows:

	2018	2017
	RM'000	*RM'000*
Within 30 days	**7,132**	7,468
31 to 60 days	**4,514**	4,045
61 to 90 days	**995**	1,955
Over 90 days	**2,248**	1,618
	14,889	15,086

12. TRADE AND OTHER PAYABLES

	2018	2017
	RM'000	*RM'000*
Trade payables	**4,375**	5,607
Bills payable	**3,096**	4,105
Other payables	**3,783**	4,075
	11,254	13,787

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 31 December 2018 and 2017 are as follows:

	2018	2017
	RM'000	*RM'000*
Within 30 days	**3,528**	3,690
31 to 60 days	**1,719**	2,890
61 to 90 days	**900**	1,520
Over 90 days	**1,324**	1,612
	7,471	9,712

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 Financial Year, the revenue of elastic textile decreased by RM10.4 million or 17.8% as compared to 2017. Revenue of covered elastic yarn decreased by 5.6% despite an increase in sales volume by 1.1%, mainly due to increased sales of relatively lower price range products as well as depreciation of United States dollar ("**USD**") against RM, which lowered the revenue reported in RM for the sales denominated in USD during the Financial Year as compared to 2017. For narrow elastic fabric, the revenue decreased by 31.4% as compared to 2017 due to lower sales orders during the Financial Year from a few key customers, which were developing new specifications of certain products and thus reduced their orders for certain existing products.

(ii) Webbing

Revenue of webbing decreased by RM4.2 million or 11.2% as compared to 2017, mainly due to the reduced number of sales orders from customers in certain Asian and European countries as a result of the depreciation in their local currencies against USD, delay in ordering certain specifications of products and lower average selling prices. Despite the sales volume of furniture webbing increased by 14.1% as compared to 2017, the revenue from furniture webbing decreased by 12.1%, mainly attributable to increased sales of relatively lower margin furniture webbing products in order to maintain market shares from stiff competitions as well as depreciation of USD against RM mentioned in note (i) above.

(iii) Other products

During the Financial Year, the revenue of other products decreased by RM2.5 million or 18.9% as compared to 2017, mainly due to revenue from sales of metal components for furniture being excluded from consolidation in the Financial Year. As disclosed in the Prospectus and the 2017 Annual Report, Furnitech Components (Vietnam) Co., Ltd. ("**FCV (VN)**"), a then subsidiary of the Company, which sells metal components for furniture, has become an associate of the Company since 14 September 2017, in which the Company has an indirect interest of 45.06%.

Setting aside the impact of FCV (VN), the revenue from this product segment has a steady growth, as shown by an increase of 8.7% during the Financial Year.

(b) Retail Division

The Group has ventured into retail business during the Financial Year and became an authorised dealer of a brand "Philipp Plein" in Singapore, Malaysia and Thailand. The first flagship store will be opened in Marina Bay Sands, Singapore. The store is currently under renovation and targets to commence business in the second quarter of 2019. The management is in the midst of evaluating a few potential shopping malls for stores opening in Thailand and Malaysia.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Financial Year amounted to RM92.6 million, representing a decrease of RM17.1 million or 15.6% as compared with RM109.7 million for 2017. A majority of the Group's revenue was attributable to elastic textile and webbing products for both years, which contributed approximately 51.9% and 36.3% respectively during the Financial Year and approximately 53.3% and 34.4% respectively during 2017.

The decrease in revenue was mainly due to (i) reduced sales for certain existing products as those customers were more prudent in their procurement plan in view of the uncertainty in the global trade market as a result of the on-going trade spat between the United States with China and other countries, (ii) reduced orders as certain new specifications of products were under development stage, (iii) reduced procurement from certain customers from Asian countries as their local currencies depreciated against USD, (iv) selling of higher proportion of lower margin products, (v) depreciation of USD against RM, which lowered the revenue reported in RM for the sales denominated in USD, and (vi) exclusion of revenue from metal components for furniture (the subsidiary became an associate since 14 September 2017) from consolidation in the Financial Year.

During the Financial Year, domestic sales and export sales accounted for around 46.0% and 54.0% (2017: 43.1% and 56.9%) of the revenue, respectively. Asia Pacific region (excluding Malaysia and Vietnam), Europe and North America continue to be the major export countries of the Group during both years.

Cost of Sales

For the Financial Year, the cost of sales of the Group amounted to RM71.6 million (2017: RM79.5 million), representing a decrease of RM7.9 million or 10.0% compared to 2017. The decrease of the cost of sales was in line with the decrease in revenue.

Gross Profit and Gross Profit Margin

For the Financial Year, the Group achieved gross profit of approximately RM21.0 million (2017: RM30.2 million), representing a decrease of RM9.2 million or 30.5% as compared to 2017.

The decrease in the gross profit of the Group was mainly due to lower sales during the Financial Year. The gross profit margin of the Group decreased from 27.6% to 22.7% during the Financial Year, resulting from the higher material prices of crude-oil based yarn and rubber, chemical and dye stuff, higher proportion of relatively lower margin products sold, weakening in USD against RM in 2018 against 2017 and a decrease in the sales volume in certain products, which in turn increased the weighing of fixed overheads over total cost of sales as compared to 2017. However, the Group is also taking a strategy not to pass on the increased costs in the short term to customers in view of the competitions and uncertainty in the global trade.

Other income, net

For the Financial Year, the other income of the Group amounted to RM1.0 million (2017: RM6.4 million), representing a decrease of RM5.4 million or 84.4% as compared to 2017, which was mainly due to gain on disposal of a subsidiary of RM6.8 million in 2017 (2018: Nil). Setting aside the one-off gain on disposal of a subsidiary, the other income increased by RM1.4 million was mainly due to higher commission income and gain on realised and unrealised foreign exchange.

Distribution Costs

For the Financial Year, the distribution costs of the Group amounted to RM2.7 million (2017: RM3.0 million), representing a decrease of RM0.3 million or 10.0% as compared to 2017. The decrease was mainly due to lower commission expense, transportation expenses and customs declaration charges during the Financial Year, which was in line with the decrease 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 Financial Year, the administrative expenses of the Group amounted to RM17.0 million (2017: RM22.4 million), representing a decrease of RM5.4 million or 24.1% as compared to 2017. The decrease was mainly due to the recognition of the listing expenses (including professional fees and other expenses) of approximately RM7.2 million during 2017. Setting aside the listing expenses, the administrative expenses increased by RM1.8 million, which was mainly due to start-up expenses incurred for the new retail division in Singapore of RM0.7 million and additional post-listing administrative and corporate expenses of RM0.8 million.

Profit for the Financial Year

The profit for the Financial Year amounted to RM0.9 million (2017: RM8.6 million), representing a decrease of approximately RM7.7 million or 89.5% as compared to 2017. The decrease in profit was mainly due to lower revenue from sales of various products and increase in raw material costs. The profit for the Financial Year was further impacted by additional post-listing administrative and corporate expenses of RM0.8 million, start-up expenses incurred for new retail division in Singapore of RM0.7 million as well as higher share of loss from an associate of RM0.7 million during the Financial Year.

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 USD, RM, Hong Kong Dollar ("**HKD**") 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 31 December 2018, the Group's total equity attributable to owners of the Company amounted to RM98.7 million (2017: RM97.6 million).

As at 31 December 2018, the Group's net current assets were approximately RM62.2 million (2017: RM67.4 million) and the Group had cash and cash equivalents of approximately RM31.6 million (2017: RM36.4 million). The Group had bank borrowings of approximately RM10.7 million (2017: RM10.6 million) and no finance lease obligations (2017: RM0.6 million).

The interest rates of the Group's term loans and bank overdraft as at 31 December 2018 and 2017 ranged from 4.97% to 9.04% and 3.50% to 8.79% per annum respectively.

As at 31 December 2018, the Group's current ratio (calculated by dividing current assets by current liabilities as at the end of the year) was approximately 5.8 times (2017: 5.4 times). The Group's gearing ratio (calculated by dividing total debt by total equity as at the end of the year and then multiplying by 100%) was approximately 10.8% (2017: 11.4%).

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 year.

CAPITAL STRUCTURE

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

SIGNIFICANT INVESTMENT HELD BY THE GROUP

As at 31 December 2018, there was no significant investment held by the Group (2017: Nil).

PLEDGE OF ASSETS

As at 31 December 2018 and 2017, freehold land, long term leasehold land, buildings and certain plant and machinery of the Group with carrying amount of RM23,712,000 and RM25,133,000 respectively were pledged to licensed banks as security for credit facilities granted to the Group.

FUTURE PLAN FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed in the sections headed "**COMPARISON OF BUSINESS OBJECTIVES AND STRATEGIES WITH ACTUAL BUSINESS PROGRESS**", "**USE OF PROCEEDS**" and "**SUBSEQUENT EVENTS**" in this announcement, 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 announcement.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant contingent liabilities (2017: Nil).

CAPITAL COMMITMENTS

	2018	2017
	RM'000	*RM'000*
Commitments for the acquisition of property, plant and equipment:		
– Contracted for but not provided	**1,707**	–

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group employed 825 employees (2017: 912 employees). The Group had lesser number of employees in 2018 as compared to 2017. Employee costs amounted to approximately RM28.8 million for the Financial Year (2017: approximately RM31.5 million). The Group will endeavor to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' remuneration is determined based on their performance. The Company has also adopted a share option scheme (the "**Share Option Scheme**") with the primary purpose to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Company. As at 31 December 2018, no share options had been granted under the Share Option Scheme.

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

SHARE OPTION SCHEME

As at 31 December 2018, no share options had been granted under the Share Option Scheme.

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 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. Pursuant to the S&P Agreement, the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire issued share capital of Meinaide Holdings Group Limited for the consideration of HK$140,000,000, which shall be satisfied by the Company by way of allotment and issue of 56,000,000 shares of the Company at the issue price of HK$2.50 per share to the Vendor or its nominee credited as fully paid upon completion in accordance with the terms and conditions of the S&P Agreement. Further details in relation to the acquisition were disclosed in the announcement dated 12 March 2019.

Other than as disclosed above, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2018 and up to the date of this announcement.

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 with the Group's actual business progress for the period from the date of the Listing to 31 December 2018 is set out below:

Business strategies	Implementation plans	Sources of funding	Actual business progress up to 31 December 2018
(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)	– Acquired machineries for narrow elastic fabric, covered elastic yarn and seat belt webbing of RM3.9 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 temporarily put on hold after considering the risk and return of the expansion. The management would resume the construction of the new factory once the market condition and orders of the said products become more certain. Acquisition schedule of certain machines such as weaving, cutting and covering machines was also delayed to later quarters.
			– 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.

Business strategies	**Implementation plans**	**Sources of funding**	**Actual business progress up to 31 December 2018**
(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	– 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. – Undergoing qualification and testing for seat belt webbing samples for a South Korean safety belt manufacturer and other prospective customers. The customer's priority now is for us to focus on supplying new approved specification to India to replace part of their imports from South Korea. We expect increase in orders from India in the second quarter of 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	– 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)	– 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. The management is considering the proposals to upgrade the accounting systems and their effective integration with MES software. – 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.

USE OF PROCEEDS

The net proceeds from the Share Offer, 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.

The net proceeds from the Share Offer from the date of the Listing to 31 December 2018 were used as follows:

	Planned use of net proceeds from the Listing as stated in the Prospectus	Actual use of of proceeds from the date of Listing to 31 December 2018 *(Note (a))*	Unutilised amount as at 31 December 2018 *(Note (b))*
	RM'million	*RM'million*	*RM'million*
Expand our production capacity	17.6	4.3	13.3
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	5.0	14.3

Notes:

(a) Please refer to the section headed "Comparison of business objectives and strategies with actual business progress" in this announcement for the update of the actual business progress up to 31 December 2018.

(b) The unutilised proceeds are deposited in licensed banks.

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 manufacturing business in the near future to remain challenging as customers remain cautious on purchases pending clearer settlements of the trade disputes.

Apart from that, raw material cost especially the crude-oil based yarn remains volatile 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, the Group is constantly reviewing its cost structure and will execute its business strategies, in particular the expansion of production capacity, based on the market conditions. The Group will also enhance the capability of the product modification department to broaden products application as well as to strengthen its market position by exploring new export markets, securing existing clientele and acquiring new customers. The Group will strive to enhance its market position and actively consider new opportunities for growth.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

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

To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the Financial Year.

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 Financial Year.

DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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 providing an oversight of the financial reporting and disclosure processes, internal control and risk management systems of the Company, and to oversee the audit process.

The audit committee currently comprises of three independent non-executive Directors, namely, Mr. Ho Ming Hon, Dato' Sri Dr. Hou Kok Chung and Dato' Sri Wee Jeck Seng. Mr. Ho Ming Hon is the chairman of the audit committee.

The audit committee has reviewed the consolidated results of the Group for the Financial Year and discussed with the management of the Company the accounting principles and practices adopted by the Group as well as internal controls and other financial reporting matters. The audit committee is of the opinion that such results have been prepared in compliance with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

FINANCIAL INFORMATION

The financial information set out in this announcement does not constitute the Group's audited consolidated financial statements for the Financial Year, but represents an extract from those financial statements. The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's external auditors, BDO Limited, as to the amounts set out in the Group's audited consolidated financial statements. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by BDO Limited on this announcement.

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

Malaysia, 20 March 2019

As at the date of this announcement, 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 and Dato' Lua Choon Hann, and the independent non-executive Directors are Mr. Ho Ming Hon, Dato' Sri Wee Jeck Seng and Dato' Sri Dr. Hou Kok Chung.

*This announcement 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 announcement will also be posted on the Company's website at http://www.furniweb.com.my.*