THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Furniweb Holdings Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

FURNIWEB HOLDINGS LIMITED
飛霓控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8480)

MAJOR TRANSACTION
IN RELATION TO THE ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL
OF MEINAIDE HOLDINGS GROUP LIMITED
INVOLVING ISSUE OF CONSIDERATION SHARES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

VEDA | CAPITAL
智 略 資 本

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular. A letter from the Board is set out on pages 6 to 24 of this circular. A notice convening the EGM to be held at Arcadia II, Level 3, Hotel Armada Petaling Jaya, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 19 June 2019 at 10:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy is also enclosed. Whether or not you intend to attend the EGM, you are advised to complete the form of proxy attached to the notice of EGM in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjournment thereof if you so wish, and in such event, the form of proxy shall be deemed to have been revoked.

30 May 2019

CHARACTERISTICS OF THE GEM

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.

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the meanings as set out below:

"Acquisition"	the proposed acquisition of the Sale Shares by the Company from the Vendor pursuant to the terms and conditions of the Sale and Purchase Agreement
"Actual Profit"	actual consolidated profit after tax of the Target Group for the Guarantee Period
"Announcement"	the announcement of the Company dated 12 March 2019 in relation to the Acquisition
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"Company"	Furniweb Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM (stock code: 8480)
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified or supplemented from time to time
"Comparable Companies"	listed companies on the Main Board or GEM engaging in business similar to that of the PRC Subsidiary
"Compensation"	as defined in the section headed "Profit guarantee" in the Letter from the Board in this circular
"Completion"	completion of the Acquisition

"Completion Date"	the date falling within three Business Day after the fulfillment (or waiver by the Company as the case may be) of the conditions set out in the Sale and Purchase Agreement
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Consideration"	the consideration of HK$140,000,000 for the Acquisition
"Consideration Shares"	56,000,000 new Shares to be allotted and issued by the Company at the Issue Price to the Vendor or its nominee pursuant to the terms of the Sale and Purchase Agreement
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held and convened for the purpose of approving the Sale and Purchase Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Target Group
"GEM"	GEM operated by the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Guarantee Period"	the financial year ending 31 December 2019
"Guaranteed Profit"	RMB10,000,000, the guaranteed amount of consolidated profit after tax of the Target Group for the financial year ending 31 December 2019 irrevocably warranted and guaranteed by the Vendor to the Company pursuant to the terms of the Sale and Purchase Agreement
"Guarantor"	Ms. Jim Ka Man, being the ultimate beneficial owner interested in 85% equity interest of the Vendor
"Group"	the Company and its subsidiaries

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK Subsidiary 1"	Meinaide Technology Development Limited, a company incorporated in Hong Kong with limited liability and upon completion of the Reorganisation, a wholly-owned subsidiary of the Target Company and directly holds 90% registered capital of the PRC Subsidiary
"HK Subsidiary 2"	Perfect Moral Ventures Limited, a company incorporated in Hong Kong with limited liability and upon completion of the Reorganisation, a wholly-owned subsidiary of the Target Company and directly holds 10% registered capital of the PRC Subsidiary
"HK Subsidiaries"	collectively HK Subsidiary 1 and HK Subsidiary 2
"Issue Price"	HK$2.50, being the issue price per Consideration Share
"Last Trading Day"	12 March 2019, being the last trading day for the Shares and the date of the Announcement
"Latest Practicable Date"	27 May 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Committee"	has the meaning ascribed to it under the GEM Listing Rules
"P/E Ratio(s)"	price-to-earnings ratio(s)
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan

"PRC Subsidiary"	江門市美耐德科技有限公司(Jiangmenshi Meinaide Technology Company Limited*), a company established in the PRC with limited liability and upon completion of the Reorganisation, is directly held as to 90% by HK Subsidiary 1 and as to 10% by HK Subsidiary 2
"PRG Holdings"	PRG Holdings Berhad, 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
"PS"	polystyrene
"PS-U"	unplasticized PS
"PVC"	polyvinyl chloride
"PVC-U"	unplasticized PVC, a rigid, chemically resistant form of PVC
"Reorganisation"	the reorganisation of the Target Group conducted by the Vendor and upon completion of which, the Target Company directly holds the entire issued share capital of each of the HK Subsidiaries and HK Subsidiary 1 directly holds 90% registered capital of the PRC Subsidiary and HK Subsidiary 2 directly holds 10% registered capital of the PRC Subsidiary
"RM"	Malaysian Ringgits, the lawful currency of Malaysia
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 12 March 2019 entered into among the Vendor, the Company and the Guarantor in relation to the Acquisition
"Sale Shares"	the entire issued share capital of the Target Company to be sold by the Vendor to the Company pursuant to the terms and conditions of the Sale and Purchase Agreement

"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Meinaide Holdings Group Limited, a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by the Vendor as at the Latest Practicable Date
"Target Group"	the Target Company together with its subsidiaries upon completion of the Reorganisation
"USD"	US dollars, the lawful currency of United States of America
"Vendor	Triumph Star Global Limited, a company incorporated in the British Virgin Islands with limited liability and is ultimately beneficially owned as to 85% by the Guarantor and as to 15% by Mr. Li Jian Wen
"%"	per cent.

For the purpose of this circular, unless the context otherwise requires, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of RMB1.00 to HK$1.17.

* *for identification purpose only*

FURNIWEB HOLDINGS LIMITED
飛霓控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8480)

Executive Directors:
Mr. Cheah Eng Chuan
Mr. Tan Chuan Dyi
Dato' Lua Choon Hann
Mr. Qu Weidong

Non-executive Directors:
Dato' Lim Heen Peok *(the Chairman)*
Mr. Yang Guang

Independent non-executive Directors:
Mr. Ho Ming Hon
Dato' Sri Wee Jeck Seng
Dato' Sri Dr. Hou Kok Chung

Registered Office:
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman KY1-1111
Cayman Islands

Head office:
Lot 1883, Jalan KPB9
Kg. Bharu Balakong
43300 Seri Kembangan
Selangor, Malaysia

Principal place of business in Hong Kong:
31st Floor, 148 Electric Road
North Point, Hong Kong

30 May 2019

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF MEINAIDE HOLDINGS GROUP LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES

INTRODUCTION

Reference is made to the Announcement.

On 12 March 2019 (after the trading hours of Stock Exchange), the Company (as the purchaser), the Vendor and the Guarantor entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares for the Consideration of HK$140,000,000, which shall be satisfied by the Company by way of allotment and issue of the Consideration Shares at the Issue Price of HK$2.50 per Consideration Share to the Vendor or its nominee credited as fully paid upon Completion in accordance with the terms and conditions of the Sale and Purchase Agreement.

The purpose of this circular is to provide you with, among other things, (i) further details about the Acquisition and the transactions contemplated thereunder; (ii) the financial and other information of the Target Group; (iii) the unaudited pro forma financial information of the Enlarged Group; and (iv) a notice of EGM.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are as follows:

Date : 12 March 2019 (after trading hours of the Stock Exchange)

Parties : (i) Company (as the purchaser)
(ii) Vendor
(iii) Guarantor

The Guarantor has unconditionally and irrevocably undertaken to the Purchaser to procure the due and punctual performance by the Vendor of all the obligations expressed to be imposed on or assumed by it under the Sale and Purchase Agreement.

According to the information provided by the Vendor, the Vendor is an investment holding company with no business operations.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, each of the Vendor, its ultimate beneficial owners and the Guarantor is a third party independent of and not connected with the Company and its connected persons.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company. As at the Latest Practicable Date, the Target Company is wholly owned by the Vendor.

Further information on the Target Group is set out in the section headed "INFORMATION ON THE TARGET GROUP" below.

Consideration

The Consideration of HK$140,000,000 shall be satisfied by the Company to allot and issue to the Vendor or its nominee 56,000,000 Consideration Shares at the Issue Price of HK$2.50 per Consideration Share credited as fully paid upon Completion.

The Consideration Shares will be issued under specific mandate to be approved by the Shareholders at the EGM and will rank *pari passu* in all respect with the Shares then in issue on the relevant issue date.

Issue Price

The Issue Price of HK$2.50 per Share:

(i) represents a discount of approximately 11.03% to the closing price of HK$2.81per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) represents a discount of approximately 4.87% to the average closing price of approximately HK$2.628 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days including the Last Trading Day;

(iii) represents a discount of approximately 9.88% to the average closing price of approximately HK$2.774 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days including the Last Trading Day; and

(iv) represents a discount of approximately 6.72% to the closing price of HK$2.680 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Issue Price was determined after arm's length negotiations between the Company and the Vendor with reference to the recent market prices of the Shares. The Directors consider that the Issue Price is fair and reasonable and on normal commercial terms.

Basis for the Consideration

The Consideration was determined on an arm's length basis under normal commercial terms pursuant to the negotiation between the Company and the Vendor after taking into account, among others, (i) the Guaranteed Profit undertaken by the Vendor (details set out in the section headed "Profit guarantee" below in this circular) implying a P/E Ratio with respect to the Consideration of approximately 12 times; (ii) the improving financial information and prospering future prospects of the Target Group; (iii) comparison with the P/E Ratios of the Comparable Companies; (iv) the signed contracts on hand of the PRC Subsidiary for the Guarantee Period; and (v) the benefits to be derived by the Group from the Acquisition as described under the paragraph headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" below in this circular.

For the purpose of assessing the fairness and reasonableness of the Consideration, and to the best of the Directors' information, there is no comparable company available on the Stock Exchange which engages in exactly the same business activities of the Target Group (i.e. production and sale of PVC foam boards, PS foam boards, PVC construction template, automotive interior panel and other plastic products in the PRC mainly used as door panels and wood-plastic composites for making furniture and decoration boards), the Directors had identified an exhaustive list of six Comparable Companies through Bloomberg based on the following criteria: (i) currently listed on the Main Board or GEM of the Stock Exchange; and (ii) engaging in manufacture and/or sale of building materials, interior decorating products, panels (excluding pure cement manufactures), in order to provide a general valuation standard with respect to the business activities that are in line with that of the Target Group as a reference.

The table below sets out the comparison information of the Comparable Companies:

Name (Stock Code)	Principal Business	Market Capitalisation(Note 1)	Profit after tax attributable to shareholders(Note 2)	% of revenue in the same business segment as the Target Group	P/E Ratio
China Conch Venture Holdings Limited (586)	Operates through three segments: (i) energy preservation and environmental protection solutions segment is engaged in the provision of solutions related to residual heat power generation, vertical mills and waste incineration. (ii) port logistic services segment is engaged in the provision of port logistics services. (iii) new building materials segment is engaged in the sales of new building materials, such as fiber cement boards	HK$48,060 million	RMB3,403 million	10.6%	12.07
China Lesso Group Holdings Limited (2128)	Principally engages in the manufacture and sales of building materials and interior decoration products and the provision of factoring services	HK$13,831 million	RMB2,266 million	100%	5.22

Name (Stock Code)	Principal Business	Market Capitalisation(Note 1)	Profit after tax attributable to shareholders(Note 2)	% of revenue in the same business segment as the Target Group	P/E Ratio
China National Building Material Company Limited (3323)	Operates through four segments: (i) cement segment is mainly engaged in the production and sale of new suspension preheater cement and commercial concrete; (ii) lightweight building materials segment is mainly engaged in the production and sale of dry wall and ceiling system; (iii) glass fiber and composite materials segment is engage in the production and sale of rotor blades, glass fiber and composite materials; (iv) engineering service segment is engage in the provision of engineering services to glass and cement manufactures, as well as equipment procurement business	HK$25,673 million	RMB3,225 million	91.4%	6.80
Nature Home Holding Company Limited (2083)	Operates through four segments: (i) manufacturing and sale of wood products segment is engaged in the manufacture and sale of wood products; (ii) provision of trademark and distribution network segment is engaged in the manufacture and sale of products under the company's trademarks and distribution network; (iii) financial service segment is involved in provision of money lending, assets management services advising on securities brokerage services; (iv) forestry management segment is engaged in the operation of forestry assets including harvest and sales of timber and wood products	HK$2,294 million	RMB68.18 million	91.0%	28.76
Sunway International Holdings Limited (58)	Operates through three segments: (i) pretensioned spun high-strength concrete piles and other segment is involved in manufacturing and sale of high-strength concrete piles, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-permeable concrete products; (ii) financial service segment is involved in provision of money lending, assets management services, advising on securities services and securities brokerage services; (iii) prestressed concrete steel bar segment is involved in manufacturing and sale of pre-stressed steel bars	HK$104 million	Loss making	96.7%	Not applicable

Name (Stock Code)	Principal Business	Market Capitalisation(Note 1)	Profit after tax attributable to shareholders(Note 2)	% of revenue in the same business segment as the Target Group	P/E Ratio
Twintek Investment Holdings Limited (6182)	Mainly engages in the provision of building materials and the relevant installation services. The main products consist of interior wall-fill materials, in particular, gypsum block products; timber flooring products; glass fiber reinforced concrete (GRC) products; roof tiles; and woodwork products. It engages subcontractors to perform the relevant installation services, if required by customers. The gypsum block products are manufactured by a German gypsum supplier. It offers timber flooring products under its own brand, namely HUGO, whereas it offers timber flooring products for indoor sport court/stadium projects under a German brand.	HK$388 million	HK$16 million(Note 3)	100%	24.25
				Average	15.42
				Median	12.07
				Maximum	28.76
				Minimum	5.22
Target Group	production and sale of PVC foam boards, PS foam boards, PVC construction template, automotive interior panel and other plastic products in the PRC mainly used as door panels and wood-plastic composites for making furniture and decoration boards	Consideration = HK$140,000,000	Guaranteed Profit = RMB10,000,000		12

Notes:

1. Average market capitalisation for the five consecutive trading days immediately preceding the Last Trading Day

2. Profit after tax attributable to shareholders for the latest financial year as at the date of the Sale and Purchase Agreement as extracted from the respective annual reports

3. Listed on the Main Board of the Stock Exchange since 17 January 2018 so that its net profit has been adjusted with the one-off listing expenses as extracted from the prospectus dated 29 December 2017

As shown in the above table, the maximum and minimum P/E Ratios of the Comparable Companies are approximately 28.76 times and approximately 5.22 time respectively, with an average of approximately 15.42 times and a median of approximately 12.07 times. The implied P/E Ratio with the Consideration over the Guaranteed Profit (the "**Implied P/E Ratio**") of approximately 12 times lies below the average and median of the P/E Ratios of the Comparable Companies and is within the range of maximum and minimum P/E Ratios of the Comparable Companies.

The Directors noticed the wide range of P/E Ratios of the Comparable Companies. As mentioned above, there is no comparable company available on the Stock Exchange which engages in exactly the same business activities of the Target Group. Instead of identifying comparables in the Shenzhen and Shanghai Stock Exchange which usually render higher valuations for industries comparables, the Directors considered using the six Comparable Companies listed on the Stock Exchange as the basis for comparison would be more reasonable given they are the closest comparables with the principal businesses engaged by the Target Group. Generally speaking, average is a standard or level that is considered to be typical or usual for making comparisons. Therefore, the Company and the Vendor determined through arm's length negotiation the Implied P/E Ratio of approximately 12 times with reference to the average P/E Ratio and, in particular, the median P/E Ratio of the six Comparable Companies of approximately 12.07 times.

Out of the six Comparable Companies, besides China Conch Venture Holdings Limited, all the other five Comparable Companies have relevant revenue income comparable to the Target Group of over 90%. China Conch Venture Holdings Limited was also included as one of the Comparable Companies since, besides engaging in new building material business, it is an enterprise specialised in energy saving and environmental protection which is in line with the business aspiration of the Target Group.

All the Comparable Companies are listed companies whereas the PRC Subsidiary is a private company and after discussion with certain independent valuers, it is noticed that the discount for lack of marketability for private companies will be generally around 15% to 25%. On the other hand, since the Acquisition involves acquiring control of more than 50% of the equity interest of the PRC Subsidiary, premium for acquiring controlling stake of companies will be applied and it is generally around 15% to 30%. With the application of the ranges of the marketability discount and control premium, sensitivity analysis on the average P/E Ratio from the Comparable Companies of 15.42 times have been performed as follows:

	Marketability discounts	Control premiums	Adjusted Average P/E Ratios
Smallest Adjusted Average P/E Ratio	25%	15%	13.30 times
Medium Adjusted Average P/E Ratio	20%	22.5%	15.11 times
Largest Adjusted Average P/E Ratio	15%	30%	17.04 times

As illustrated above, the Implied P/E Ratio of approximately 12 times for the Acquisition is lower than all of the Adjusted Average P/E Ratios, therefore it is considered that the Implied P/E Ratio is fair and reasonable.

Having considered the abovementioned factors, the Directors are of the view that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Profit guarantee

Pursuant to the Sale and Purchase Agreement, the Vendor has irrevocably warranted and guaranteed to the Company that the consolidated profit after tax of the Target Group for the Guarantee Period will not be less than the Guaranteed Profit of RMB10,000,000.

According to Appendix IIB to this circular, the audited profit and total comprehensive income of the PRC Subsidiary for the three years ended 31 December 2016, 2017 and 2018 were approximately RMB2.53 million, approximately RMB3.15 million and approximately RMB4.81 million respectively, representing a year-on-year increase of approximately 24% from financial year 2016 to financial year 2017 and a year-on-year increase of approximately 53% from financial year 2017 to financial year 2018.

The Guaranteed Profit of RMB10 million for the year ending 31 December 2019 will represent an increase of approximately 108% from the audited profit and total comprehensive income of the PRC Subsidiary for the year ended 31 December 2018 of approximately RMB4.81 million. It is noticed that (i) the number of assembly lines for production of the PRC Subsidiary had been increased from 4 to 6 during the financial year ended 31 December 2018 so that the production capacity of the PRC Subsidiary has increased by 50%; (ii) the PRC Subsidiary has alleviated promotion efforts to stimulate sales by attending various trade shows and exhibitions in the PRC and overseas to get more exposures and approach various new customers; (iii) gross profit margins had been on an increasing trend of approximately 16.3% for the financial year 2016, approximately 17.1% for the financial year 2017 and approximately 19.3% for the financial year 2018 due to (a) the increase of sales price of export sales by the growth of RMB's foreign exchange rate; and (b) commencement of subcontracting service during the financial year 2018. As at 31 March 2019, the signed contracts on hand of the PRC Subsidiary for the Guaranteed Period, i.e. for the year ending 31 December 2019, had already amounted to approximately RMB58.8 million, representing an increase of approximately 15.5% when compared to the turnover of approximately RMB50.9 million for the year ended 31 December 2018 and the profits resulted from the completion of the signed contracts are expected to be recognised within the Guarantee Period. In light of the aforesaid and, in particular, the encouraging performance of the Target Group reflected by the signed contracts on hand ascertained during the first quarter of 2019, the Board considered that the Guaranteed Profit is achievable and the terms of the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Vendor and the Target Company shall procure that the consolidated financial statements of the Target Group for the Guarantee Period shall be prepared and the Actual Profit shall be accounted for in compliance with Hong Kong financial reporting standards and reviewed by the auditors of the Company before the date falling three months after the expiry of the Guarantee Period, and the auditors of the Company shall issue a report to verify the amount of the Actual Profit, provided that the following items shall be excluded from the computation of the Actual Profit:

(a) items classified as extraordinary or any non-cash item classified as non-recurring; and

(b) gain on disposal of any property, plant and equipment.

Such report shall, in the absence of manifest error, be final and conclusive of the matters stated therein and binding on the Vendor and the Company.

If the Actual Profit as reviewed by the auditors of the Company is less than the Guarantee Profit, the Vendor shall compensate the Company (the "**Compensation**") in cash in accordance with the following formula:

Compensation = (Guarantee Profit – Actual Profit) x 12

For the avoidance of doubt, should the Target Group record an actual consolidated loss after tax for the Guarantee Period, the Actual Profit shall be deemed as zero.

The Company will publish an announcement and disclose in its next annual report whether or not the Guaranteed Profit has been met and the performance of the Target Group at the material time.

Conditions precedent

Completion of the Sale and Purchase Agreement is subject to the following conditions precedent being fulfilled or waived (as the case may be):

(a) the Company being satisfied with the results from its due diligence review over the assets, liabilities, operations and affairs of the Target Group as it may reasonably consider appropriate;

(b) all necessary governmental and other consents and approvals required to be obtained on the part of the Vendor and the Target Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained;

(c) all necessary governmental and other consents and approvals required to be obtained on the part of the Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained;

(d) if necessary, the passing by the Shareholders at an extraordinary general meeting of the Company to be convened and held of an ordinary resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares to the Vendor or its nominee at the Issue Price credited as fully paid;

(e) the obtaining of a PRC legal opinion (in form and substance satisfactory to the Company) from a PRC legal adviser appointed by the Company in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder;

(f) the representations, warranties and undertakings provided by the Vendor as set out in the Sale and Purchase Agreement remaining true and accurate and not misleading in all respects;

(g) the Stock Exchange granting the listing of and permission to deal in the Consideration Shares; and

(h) the Reorganisation having been completed.

The Company may at any time waive in writing any of the conditions (save for conditions (b), (c), (d), (e), (g) and (h), which are incapable of being waived).

If the conditions set out above have not been satisfied (or as the case may be, waived by the Company) on or before 4:00 p.m. on 30 June 2019, or such later date as the Vendor and the Company may agree in writing, the Sale and Purchase Agreement shall cease and determine and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof

As at the Latest Practicable Date, condition precedent (h) has been satisfied.

Completion

Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the Company.

Application for listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Consideration Shares upon Completion (assuming that there are no other changes in the issued share capital of the Company from the Latest Practicable Date up to and immediately after Completion) is as follows:

Shareholders	As at the Latest Practicable Date		Immediately after the allotment and issue of the Consideration Shares upon Completion	
	No. of Shares	*Approx. %*	*No. of Shares*	*Approx. %*
PRG Holdings	317,520,000	63.00	317,520,000	56.70
Vendor or its nominee	–	–	56,000,000	10.00
Public Shareholders	186,480,000	37.00	186,480,000	33.30
Total	504,000,000	100.00	560,000,000	100.00

As at the Latest Practicable Date, the Company has an authorised share capital of HK$100,000,000 divided into 1,000,000,000 Shares and an issued share capital of 504,000,000 Shares, fully paid or credited as fully paid up. Upon Completion, the allotment and issue of Consideration Shares to the Vendor or its nominee will not result in a change of control of the Company.

INFORMATION ON THE COMPANY

The Company is principally engaged in the manufacture and distribution of elastic textile and webbing. The Company's products are divided into three categories: (i) elastic textile products which include covered elastic yarn and narrow elastic fabric; (ii) webbing products which include furniture webbing and seat belt webbing; and (iii) other products include rubber tape and metal component for furniture such as recliner mechanism and bed frame.

Financial performance for the year ended 31 December 2018

As stated in the annual report of the Company, profit for the year ended 31 December 2018 amounted to approximately RM0.9 million, representing a decrease of approximately 89.5% from that of the previous year. The Group was adversely affected by the trade war between the United States of America and the PRC and elsewhere as products of the Group are export centric. The decrease in profit was mainly because of lower revenue from sales of various products and increase in raw material cost. 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 of America with the PRC and other countries. Although direct revenue from customers in North America contributed approximately 18% of the total revenue for the year ended 31 December 2018, the Group was also affected by the appreciation of USD against various local currencies of its customers as its export is mainly denominated in USD. This resulted to procurement cost becoming more expensive for some of its customers, which translates to reduced procurement and lower revenue; (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 de-consolidation for the year ended 31 December 2018. Further, higher material prices of crude-oil based yarn and rubber, chemical and dye stuff also resulted to lower gross profit margin as the increased cost has not been passed to customers in view of the stiff market competition and looming uncertainty in global trade.

The profit for the year ended 31 December 2018 was further impacted by additional post-listing administrative and corporate expenses of approximately RM0.8 million, start-up expenses incurred for new retail division in Singapore of approximately RM0.7 million as well as higher share of loss from an associate of approximately RM0.7 million during the year ended 31 December 2018.

Future plan on the existing business

The global growth rate is projected to slow down further in 2019. The uncertainty created by the United States of America in attempting to address trade deficits with its major trading partners will continue to roil the market. Furthermore, the BREXIT saga will also weigh in to the political and economic stress on the current trade supply chains and multilateral trade agreements. In light of these disruptive forces, material cost inflation will be another emerging risk for manufacturers.

In view of the rapid change of global economy, the Group is constantly reviewing its cost structure, negotiating better sales terms with customers and continue developing new specification of products. The Directors will carefully evaluate the situation and will execute its business strategies as stated in the annual report for the year ended 31 December 2018, in particular the expansion of production capacity, based on the market conditions.

In addition, the Group is enhancing 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 Company does not have intention to dispose of or scale down its manufacture and distribution of elastic textile and webbing business. Having said that, the Company may consider possible disposal of certain immaterial or non-performing assets/business.

The Board will apply the use of proceeds as previously stated in the new listing prospectus dated 29 September 2017.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holdings and a wholly-owned subsidiary of the Vendor as at the Latest Practicable Date. The Vendor is an investment holding company.

Upon completion of the Reorganisation and as at the Latest Practicable Date, (i) the Target Company directly holds the entire issued share capital of each of the HK Subsidiaries; and (ii) HK Subsidiary 1 directly holds 90% registered capital of the PRC Subsidiary and HK Subsidiary 2 directly holds 10% registered capital of the PRC Subsidiary respectively.

The Target Company and HK Subsidiaries are investment holding companies and save for holding the PRC Subsidiary, the Target Company and HK Subsidiaries will not hold any significant assets and liabilities immediately before Completion.

PRC Subsidiary is a company established in the PRC on 5 March 2009, based in Guangdong Province, the PRC, and is mainly engaged in the production and sale of PVC foam boards, PS foam boards, PVC construction template, automotive interior panel and other plastic products in the PRC. There are a lot of applications of PVC/PS foam boards. They can be used as door panels and wood-plastic composites for making furniture and decoration boards, etc. Products of PRC Subsidiary are not only sold in the PRC but are also exported to Southeast Asia, Middle East, America, Eastern Europe, etc. The current annual production of the PRC Subsidiary is about 9,000 tons of PVC-U products, 2,000 tons of PS-U products and 2.8 million sheets of PS composite decoration boards.

Management of the PRC Subsidiary has more than 25 years experiences in plastic processing industry and a number of the current management staff of the PRC Subsidiary designated by the Company will remain with the PRC Subsidiary upon Completion for a term up to 1 January 2022 pursuant to the terms of the Sale and Purchase Agreement. In addition, the PRC Subsidiary is certified to ISO9001:2008 and ISO14001:2004 respectively in the areas of quality and environmental management and China Compulsory Certification.

Under the Sale and Purchase Agreement, it is one of the Completion deliverables that certain existing key management staff of the PRC Subsidiary should continue their service with the PRC Subsidiary and would enter into service agreements with the PRC Subsidiary for a term up to 1 January 2022. Meanwhile, all the executive Directors have experiences in operation management and in particular, Mr. Qu Weidong has business operation management experience in the PRC. It is considered that with the experience of the existing Board and reporting system of the Enlarged Group, the Board would be able to manage the Target Group after Completion.

It is believed that the Target Group will bring positive contribution to the earnings of the Enlarged Group upon Completion. Since the number of assembly lines for production of the PRC Subsidiary had been increased from 4 to 6 to increase its production capacity by 50% in view of the increasing demand from customers during the financial year ended 31 December 2018, it is not expected further capital expenditure are required for the further development of the Target Group.

Financial information of the Target Group

Set out below is the audited financial information of the PRC Subsidiary prepared in accordance with the International Financial Reporting Standards ("**IFRSs**") for each of the three financial years ended 31 December 2018:

	For the year ended 31 December 2016 (audited) *RMB'000*	**For the year ended 31 December 2017** (audited) *RMB'000*	**For the year ended 31 December 2018** (audited) *RMB'000*
Turnover	41,107	40,189	50,913
Net profit before taxation	3,386	4,178	6,411
Net profit after taxation	2,533	3,149	4,809

The audited net asset value of the PRC Subsidiary as at 31 December 2018 was approximately RMB18.4 million. Further financial information of the Target Group is set out in Appendix IIA to IIB to this circular.

Based on the unaudited management accounts of the PRC Subsidiary, the unaudited profit after tax of the PRC Subsidiary for the four months ended 30 April 2019 was approximately RMB3 million. As advised by the Vendor, usually the first quarter of a year is the slack season for the PRC Subsidiary especially during the Chinese New Year holiday period whereas performance between April and October will be generally better.

FINANCIAL EFFECTS OF THE ACQUISITION

Earnings

Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated in the consolidated financial statements of the Group.

The audited net profit after tax of the Group for the financial year ended 31 December 2018, as extracted from the annual report dated 28 March 2019 of the Company for the year ended 31 December 2018, was approximately RM0.9 million.

As set out in Appendix IIB to this circular, the PRC Subsidiary recorded an audited net profit after tax of approximately RMB4.8 million for the financial year ended 31 December 2018.

The Directors consider that the Acquisition will bring positive contribution to the earnings of the Enlarged Group but the quantification of such contribution will depend on the future performance of the Target Group.

Assets and liabilities

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, the net assets of the Enlarged Group would increase from approximately RM98.7 million to approximately RM172.9 million as a result of the Acquisition.

Upon Completion, the Enlarged Group's non-current assets would increase from approximately RM46.8 million to approximately RM112.3 million and its non-current liabilities would be the same at approximately RM10.3 million. In addition, the Enlarged Group's current assets would increase from approximately RM75.1 million to approximately RM89.3 million and its current liabilities would increase from approximately RM12.9 million to RM18.4 million.

Details of the financial effect of the Acquisition on the financial position of the Enlarged Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information of the Enlarged Group are set out, for illustration purpose only, in Appendix IV to this circular.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Guarantor and Mr. Yang Guang, a non-executive Director, have been acquainted in business occasions since 2015. Knowing the decrease in financial performance of the Group and the Group is looking for possible investment opportunity(ies) to diversify its business, the Guarantor first introduced the business of the PRC Subsidiary to Mr. Yang Guang in year end of 2018. In view of the worsened financial performance of the Group in 2018, it is believed that the Acquisition would provide an excellent opportunity for the Company to diversify into the business of the Target Group with long establishment of client networks since 2009 and with high growth potential covering both the PRC and overseas markets. It is also noticed that financial performance of the Target Group has been improving over the three financial years ended 31 December 2016, 2017 and 2018. The Vendor keeps on securing signed contracts on hand of the PRC Subsidiary for the Guaranteed Period so as to provide comfort that the Guaranteed Profit will be achievable. On the other hand, if the Actual Profit is less than the Guaranteed Profit, the Vendor shall compensate the Company in cash for the shortfall and applying the same acquisition P/E Ratio of 12 times. In addition, the key downstream sector for the products of the Target Group is the construction industry and there are a number of market drivers of the PVC formwork panels market given the growth of the underlying construction industry of the PRC as stated below in this section.

Formwork panel (or also called template) is the molding mold of concrete which is an important part of cast-in-situ concrete technique in construction sites. In the PRC construction industry, the traditional plywood formwork framework system is characterized by its low turnover rate, low utilisation rate, significant wastage of resources and low safety level. The development and application of new material for formwork panels is to reduce the project cost, and to promote the use of green technology in the construction industry. PVC formwork panel is considered as an alternative and more eco-friendly building material as they have much longer service life (can be reused for more than 30 times as compared to four times of traditional plywood panels) and also recyclable while having the positive characters of plywood panels such as being easily cut, planed, nailed, glued or processed in many ways. PVC formwork panels are flame retardant, moth proof, acid and alkali resistant, corrosion resistant, strong and durable as compared to the traditional plywood or bamboo panels. Average cost per usage is also lowered.

There are a number of market drivers of the PVC formwork panels markets given the growth of the underlying construction industry of the PRC:

Overall demand for formwork panels

Cast-in-situ is still the dominant building technique adopted in construction industry in the PRC as compared to the prefabrication method. For example, the floor space of buildings constructed by construction enterprises has reached 12.64 billion square meters while the floor space of prefabricated buildings was only 0.11 billion square meters in the PRC in 2016, i.e., only 0.87% of the country's total floor space.

Government's encouragement in rebuilding urban shanty towns

There is extensive rebuilding of urban shanty towns in the PRC in recent years. According to the Ministry of Housing and Urban-Rural Development of the PRC, 6.1 million housing units were rebuilt in urban shanty towns in 2017, which is approximately two times the amount compared to 2013 with a CAGR of 17.5% from 2013 to 2017. In addition, the local governments provides monetary compensation to existing residents who are required to relocate as result of the rebuilding of shanty towns, which, in turn, stimulates the demand for residential properties with improved housing conditions.

Accelerating Urbanisation

In light of the promotion of the "Two-Child Policy"(二胎政策), the birth rate in the PRC is expected to increase, leading to a growth in the population. Furthermore, as a result of the reforming of the HUKOU Policy ("戶口政策"), urban population in the PRC increased from 731 million in 2013 to 813 million in 2017. Correspondingly, the urbanisation rate increased from 53.7% in 2013 to 58.5% in 2017. According to the National Plan on New Urbanisation (2014-2020)(《國家新型城鎮化規劃 (2014-2020)》) issued by the State Council of the PRC, the urbanisation rate is expected to exceed 60% from 2020 onwards. Such accelerating urbanisation causes a change in consumption patterns driven by lifestyle upgrades and stimulates the growth of the property market in the PRC.

Government policy on green building

On May 4 2017, "Building industry development of The 13th Five-Year plan" was published by the Ministry of Housing and Urban-Rural Development of the PRC. The plan determines the building energy efficiency and goals of green building development. It proposed that all the energy-saving standards will apply for newly urban buildings, and by 2020, energy efficiency will increase 20% than that of 2015, urban green building will account for 50% in new buildings, 30% residential buildings will be finely decorated, green building materials application will account for 40%.

After considering the above, the Directors consider that the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

Major transaction

As one or more of the applicable percentage ratios in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company and therefore, is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

THE EGM

Set out on pages EGM-1 to EGM-2 of this circular is a notice convening the EGM which will be held at Arcadia II, Level 3, Hotel Armada Petaling Jaya, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 19 June 2019 at 10:30 a.m.. At the EGM, an ordinary resolution will be proposed to the Shareholders to approve, among others, (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the allotment and issue of the Consideration Shares.

Any Shareholder and his/her/its close associates (as defined in the GEM Listing Rules) with a material interest in the Acquisition shall abstain from voting on the ordinary resolution proposed to the Shareholders at the EGM. To the best of the information, knowledge and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting at the EGM.

A form of proxy for use at the EGM is enclosed. If you are not able to attend the EGM in person, you should complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, should you so wish, and in such event, the form of proxy shall be deemed to have been revoked.

The Company will publish an announcement on the results of the EGM with respect to whether or not the proposed resolution has been passed by the Shareholders.

RECOMMENDATION

The Board considers that the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution which will be proposed at the EGM for approving, among others, (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the allotment and issue of the Consideration Shares.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
FURNIWEB HOLDINGS LIMITED
Dato' Lim Heen Peok
Chairman

1. FINANCIAL SUMMARY OF THE GROUP

Details of the audited consolidated financial statements of the Group for the years ended 31 December 2016, 2017 and 2018 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.furniweb.com.my).

(i) The audited financial information of the Group for the year ended 31 December 2016 is disclosed in Appendix I to the prospectus for initial public offering of the Company published on 29 September 2017, from pages I-1 to I-64:

http://www3.hkexnews.hk/listedco/listconews/GEM/2017/0929/GLN20170929023.pdf

(ii) The audited financial information of the Group for the year ended 31 December 2017 is disclosed in the annual report of the Company for the year ended 31 December 2017 published on 28 March 2018, from pages 52 to 120;

http://www3.hkexnews.hk/listedco/listconews/GEM/2018/0328/GLN20180328183.pdf

(iii) The audited financial information of the Group for the year ended 31 December 2018 is disclosed in the annual report of the Company for the year ended 31 December 2018 published on 28 March 2019, from pages 57 to 136;

http://www3.hkexnews.hk/listedco/listconews/GEM/2019/0328/GLN20190328299.pdf

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 March 2019, being the latest practicable date for the purpose this indebtedness statement, the indebtedness of the Enlarged Group was as follows:

– secured borrowing from a bank of approximately RM 10,103,000 which is secured by a pledge over the Group's freehold land, long-term leasehold land, buildings and certain plant and machinery;

Save as aforesaid or as otherwise mentioned herein, and apart from intra-group liabilities, the Enlarged Group did not have any outstanding borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 31 March 2019, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular.

Save as aforesaid, the Directors are not aware of any material changes in the indebtedness, contingent liabilities and commitments of the Enlarged Group since 31 March 2019, the date to which the indebtedness statement is made and up to the Latest Practicable Date.

3. WORKING CAPITAL STATEMENT OF THE ENLARGED GROUP

The Directors are of the opinion that taking into account the existing banking and other borrowing facilities available, the existing cash and bank balances and the effect of the Acquisition, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Company is principally engaged in the manufacture and distribution of elastic textile and webbing. The Company's products are divided into three categories: (i) elastic textile products which include covered elastic yarn and narrow elastic fabric; (ii) webbing products which include furniture webbing and seat belt webbing; and (iii) other products include rubber tape.

The on-going trade spat between United States of America 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 that 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 will adjust 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 will actively consider new opportunities for growth.

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holdings and a wholly-owned subsidiary of the Vendor as at the Latest Practicable Date.

Upon completion of the Reorganisation and as at the Latest Practicable Date, (i) the Target Company directly holds the entire issued share capital of each of the HK Subsidiaries; and (ii) HK Subsidiary 1 directly holds 90% registered capital of the PRC Subsidiary and HK Subsidiary 2 directly holds 10% registered capital of the PRC Subsidiary respectively.

The Target Company and HK Subsidiaries are investment holding companies and save for holding the PRC Subsidiary, the Target Company and HK Subsidiaries will not hold any significant assets and liabilities immediately before Completion.

PRC Subsidiary is a company established in the PRC on 5 March 2009, based in Guangdong Province, the PRC, and is mainly engaged in the production and sale of PVC foam boards, PS foam boards, PVC construction template, automotive interior panel and other plastic products in the PRC. There are a lot of applications of PVC/PS foam boards. They can be used as door panels and wood-plastic composites for making furniture and decoration boards, etc. Products of PRC Subsidiary are not only sold in the PRC but are also exported to Southeast Asia, Middle East, America, Eastern Europe, etc. The current annual production of the PRC Subsidiary is about 9,000 tons of PVC-U products, 2,000 tons of PS-U products and 2.8 million sheets of PS composite decoration boards.

The Directors consider that the Acquisition provides an excellent opportunity for the Company to expand its business portfolio into the sector of production and sale of PVC foam boards, PS foam boards, PVC construction template and other plastic products which is of high growth potential.

For details of the business prospects of the Target Group, please refer to the section headed "Management Discussion and Analysis of the Target Group" in Appendix III to this circular.

The following is the text of a report received from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this investment circular.

中汇 ZHONGHUI

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FURNIWEB HOLDINGS LIMITED

Introduction

We report on the historical financial information of Meinaide Holdings Group Limited (the "Target Company") set out on pages IIA-3 to IIA-17, which comprises the statement of financial position of the Target Company as at 28 February 2019 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 20 February 2019 (date of establishment) to 28 February 2019 (the "Relevant Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the investment circular of the Company dated 30 May 2019 in connection with the proposed acquisition of the entire equity interest in the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the sole director determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 28 February 2019 and of the Target Company's financial performance and cash flows for the Relevant Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIA-3 have been made.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Ng Ka Lok
Audit Engagement Director
Practising Certificate Number P06084
Hong Kong, 30 May 2019

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

Meinaide Holdings Group Limited (the "Target Company") was incorporated on 20 February 2019 in the British Virgin Islands (the "BVI") with limited liability and the principal activity of the Target Company is investment holding.

No audited financial statements of the Target Company have been prepared for the Relevant Period as there is no statutory audit requirement in the BVI.

The directors of the Target Company has prepared the financial statements of the Target Company for the Relevant Period in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "Underlying Financial Statements"). We have performed our independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in US$ and all values are rounded to the nearest thousand (US$'000) except when otherwise indicated.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the period from 20 February 2019 (date of establishment) to 28 February 2019 US$'000 (Audited)
Revenue	7	–
Administrative expenses		–
Profit before tax		–
Income tax expenses	8	–
Profit and total comprehensive income for the period	9	–

STATEMENT OF FINANCIAL POSITION

	Notes	At 28 February 2019 US$'000 (Audited)
CURRENT ASSET		
Amount due from a shareholder	*12*	50
NET CURRENT ASSET		50
TOTAL ASSET LESS CURRENT LIABILITY		50
NET ASSET		50
CAPITAL		
Share capital	*13*	50
TOTAL EQUITY		50

STATEMENT OF CHANGES IN EQUITY

	Share capital
	US$'000
	(Audited)
At 20 February 2019 (date of establishment)	–
Issue of share	50
At 28 February 2019	50

STATEMENT OF CASH FLOWS

	For the period from 20 February 2019 (date of establishment) to 28 February 2019
	US$'000
	(Audited)
NET INCREASE IN CASH AND CASH EQUIVALENTS	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	–
ANALYSIS OF CASH AND CASH EQUIVALENTS	
Cash and bank balances	–

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. General Information

Meinaide Holdings Group Limited (the "Target Company") was incorporated in the British Virgin Islands (the "BVI") with limited liability on 20 February 2019. The address of its registered office is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

The Target Company is principally engaged in investment holding.

The Historical Financial Information is presented in United States dollars ("US$"), which is the Target Company's functional and presentation currency.

2. Basis of Preparation and Presentation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4 below which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

3. Adoption of New and Revised International Financial Reporting Standards

The Target Company had adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting period beginning on 20 February 2019. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations.

The Target Company has not applied the new and revised IFRSs that have been issued but are not yet effective. The Target Company has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material effect on the results of operations and financial position of the Target Company.

4. Significant Accounting Policies

The Historical Financial Information has been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these Historical Financial Information, are disclosed in note 5 to the Historical Financial Information.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

Foreign currency translation

Items included in the financial statements of the Target Company are measured using the currency of the primary economic environment in which the Target Company operates.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Target Company becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Target Company transfers substantially all the risks and rewards of ownership of the assets; or the Target Company neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the PRC Subsidiary are classified as financial assets at amortised cost.

Financial assets at amortised cost

Financial assets (including other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

The PRC Subsidiary recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the PRC Subsidiary measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the PRC Subsidiary measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management are also included as a component of cash and cash equivalents.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Target Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Company intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Target Company.

(A) A person or a close member of that person's family is related to the Target Company if that person:

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company.

(B) An entity is related to the Target Company if any of the following conditions applies:

(i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company. If the Target Company is itself such a plan, the sponsoring employers are also related to the Target Company.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to a parent of the Target Company.

Impairment of assets

At the end of each reporting period, the Target Company reviews the carrying amounts of its tangible assets except receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Events after the reporting period

Events after the reporting period that provide additional information about the Target Company's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. Key Estimates

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

(a) Impairment loss for bad and doubtful debts

The Target Company makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the amount due from a shareholder, including the current creditworthiness and the past collection history. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the amount due from a shareholder and doubtful debt expenses in the period in which such estimate has been changed.

6. Financial Risk Management

The Target Company's activities expose it to a credit risk. The Target Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Company's financial performance.

(a) Credit risk

The carrying amounts of the amount due from a shareholder included in the statement of financial position represent the Target Company's maximum exposure to credit risk in relation to the Target Company's financial assets.

Amounts due from a shareholder are closely monitored by the directors.

(b) Category of financial instrument

	28 February 2019
	US$'000
	(Audited)
Financial assets:	
Financial assets at amortised cost	
Amount due from a shareholder	50

(c) Fair values

The carrying amount of the Target Company's financial asset as reflected in the statement of financial position approximate the respective fair value.

7. Revenue

No transaction was concluded to generate any income during the Relevant Period.

8. Income Tax Expenses

No provision for Hong Kong Profits Tax is required since the Target Company has no assessable profit for the Relevant Period. No reconciliation between the income tax expense and the profit before tax was prepared.

9. Profit for the Period

The Target Company's profit for the Relevant Period is stated after charging the following:

	28 February 2019
	US$'000
	(Audited)
Director's emoluments	
– As director	–
– For management	–
	–

10. Earning per Share

Earning per share has not been presented as its inclusion is not considered meaningful for the purpose of the Historical Financial Information.

11. Dividends

The directors of the Target Company does not recommend the payment of any dividend in respect of the Relevant period.

12. Amount due from a Shareholder

The amount is unsecured, interest-free and have no fixed terms of repayment.

13. Share Capital

	28 February 2019
	US$'000
	(Audited)
Authorized:	
50,000 ordinary share of US$1	50
Issued and fully paid:	
50,000 ordinary share of US$1	50

The Target Company's objectives when managing capital are to safeguard the Target Company's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Target Company currently does not have any specific policies and processes for managing capital.

14. Contingent Liabilities

At the end of the reporting period, the Target Company did not have any significant contingent liability.

15. Subsequent Financial Statements

No audited financial statement has been prepared by the Target Company in respect of any period subsequent to 28 February 2019.

The following is the text of a report received from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this investment circular.

中汇
ZHONGHUI

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FURNIWEB HOLDINGS LIMITED

Introduction

We report on the historical financial information of Jiangmenshi Meinaide Technology Company Limited* (the ''PRC Subsidiary'') set out on pages IIB-3 to IIB-31, which comprises the statements of financial position of the PRC Subsidiary as at 31 December 2016, 2017 and 2018, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the three years ended 31 December 2018 (the ''Relevant Periods'') and a summary of significant accounting policies and other explanatory information (together, the ''Historical Financial Information''). The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the investment circular of the Company dated 30 May 2019 in connection with the proposed acquisition of the entire equity interest in the PRC Subsidiary.

Directors' responsibility for the Historical Financial Information

The directors of the PRC Subsidiary are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA''). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the PRC Subsidiary's financial position as at 31 December 2016, 2017 and 2018 and of the PRC Subsidiary's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIB-3 have been made.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Ng Ka Lok
Audit Engagement Director
Practising Certificate Number P06084
Hong Kong, 30 May 2019

* *The English name is a translation of its Chinese name of 江門市美耐德科技有限公司 and included herein for identification purpose only.*

HISTORICAL FINANCIAL INFORMATION OF THE PRC SUBSIDIARY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

Jiangmenshi Meinaide Technology Company Limited* (the "PRC Subsidiary") was incorporated on 9 March 2009 in the People's Republic of China (the "PRC") with limited liability and engaged in the production and sale of PVC foam boards, PS foam boards, PVC construction template, automotive interior panel and other plastic products in the PRC.

The PRC Subsidiary has adopted 31 December as the financial year end date.

No audited financial statements of the PRC Subsidiary have been prepared for the Relevant Periods as there is no statutory audit requirement in the country of their incorporation.

The directors of the PRC Subsidiary have prepared the financial statements of the PRC Subsidiary for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "Underlying Financial Statements"). We have performed our independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in RMB and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

* *The English name is a translation of its Chinese name of 江門市美耐德科技有限公司 and included herein for identification purpose only.*

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2016	**2017**	**2018**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*7*	41,107	40,189	50,913
Cost of goods sold		(34,422)	(33,334)	(41,086)
Gross profit		6,685	6,855	9,827
Interest revenue		12	5	5
Other gains and losses	*8*	54	308	89
Selling expenses		(1,670)	(1,459)	(2,020)
Administrative expenses		(1,695)	(1,531)	(1,490)
Profit before tax		3,386	4,178	6,411
Income tax expenses	*9*	(853)	(1,029)	(1,602)
Profit and total comprehensive income for the year	*10*	2,533	3,149	4,809

STATEMENTS OF FINANCIAL POSITION

		At 31 December		
		2016	2017	2018
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*12*	1,480	2,647	2,183
		1,480	2,647	2,183
CURRENT ASSETS				
Inventories	*13*	5,896	5,584	6,636
Trade and bills receivables	*14*	7,039	6,790	12,716
Prepayment, deposit and other receivables		109	1,996	117
Due from a director	*15*	–	3,846	5,856
Bank and cash balances		5,596	4,446	3,986
		18,640	22,662	29,311
CURRENT LIABILITIES				
Trade and bills payables	*16*	3,553	4,020	3,794
Accruals and other payables		1,150	1,929	2,448
Contract liabilities	*17*	80	446	128
Due to directors	*15*	1,470	1,341	1,405
Due to a related company	*18*	2,774	2,687	2,687
Current tax liabilities		686	1,330	2,667
		9,713	11,753	13,129
NET CURRENT ASSETS		8,927	10,909	16,182
NET ASSETS		10,407	13,556	18,365
CAPITAL AND RESERVE				
Capital	*19*	1,100	1,100	1,100
Reserves		9,307	12,456	17,265
TOTAL EQUITY		10,407	13,556	18,365

STATEMENTS OF CHANGES IN EQUITY

	Capital	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2016	1,100	6,774	7,874
Profit and total comprehensive income for the year	–	2,533	2,533
At 31 December 2016 and 1 January 2017	1,100	9,307	10,407
Profit and total comprehensive income for the year	–	3,149	3,149
At 31 December 2017 and 1 January 2018	1,100	12,456	13,556
Profit and total comprehensive income for the year	–	4,809	4,809
At 31 December 2018	1,100	17,265	18,365

STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Profit before tax	3,386	4,178	6,411
Adjustments for:			
Interest income	(12)	(5)	(5)
Depreciation	506	492	464
Exchange losses/(gains)	2	(9)	(10)
Gain on disposal of property, plant and equipment	–	(95)	–
Operating profit before working capital changes	3,882	4,561	6,860
Change in inventories	(925)	312	(1,052)
Change in trade and bills receivables	2,741	258	(5,916)
Change in prepayment, deposits and other receivables	(106)	(1,887)	1,879
Change in trade and bills payables	807	467	(226)
Change in accruals and other payables	358	779	519
Change in contract liabilities	26	366	(318)
Change in due to a related company	420	(87)	–
Cash used in operations	7,203	4,769	1,746
Income tax paid	(1,536)	(385)	(265)
NET CASH GENERATED FROM OPERATING ACTIVITIES	5,667	4,384	1,481
Cash flows from investing activities			
Interest received	12	5	5
Proceeds from the disposal of property, plant and equipment	–	95	–
Purchases of property, plant and equipment	–	(1,659)	–
Increase in due from a director	–	(3,846)	(2,010)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	12	(5,405)	(2,005)

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from financing activities			
(Decrease)/Increase in due to directors	(5,726)	(129)	64
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(5,726)	(129)	64
NET DECREASE IN CASH AND CASH EQUIVALENTS	(47)	(1,150)	(460)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,643	5,596	4,446
CASH AND CASH EQUIVALENTS AT END OF YEAR	5,596	4,446	3,986
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	5,596	4,446	3,986

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. General information

The PRC Subsidiary was incorporated in the PRC with limited liability on 5 March 2009. The address of its registered office and principal place of business is 鶴山市古勞鎮三連工業區六區12號1座.

The PRC Subsidiary is principally engaged in the production and sale of PVC foam boards, PS foam boards, PVC construction template, automotive interior panel and other plastic products in the PRC.

In the opinion of the Directors, as at 31 December 2018, Mr. Li Jian Wen and Ms. Feng Hui Fen are the ultimate controlling parties of the PRC Subsidiary.

2. Basis of preparation and presentation of historical financial information

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4 below which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

3. Adoption of new and revised International Financial Reporting Standards

The PRC Subsidiary had adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. IFRSs comprise International Financial Reporting Standards; International Accounting Standards and Interpretations.

The PRC Subsidiary has not applied the new and revised IFRSs that have been issued but are not yet effective. The PRC Subsidiary has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on the results of operations and financial position of the PRC Subsidiary.

4. Significant accounting policies

The Historical Financial Information has been prepared under the historical cost convention.

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these Historical Financial Information, are disclosed in note 5 to the Historical Financial Information.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

Foreign currency translation

Functional and presentation currency

Items included in the Historical Financial Information are measured using the currency of the primary economic environment in which the PRC Subsidiary operates (the "functional currency"). The financial statements are presented in Renminbi, which is the PRC Subsidiary's functional and presentation currency.

Transactions and balances in the Historical Financial Information

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the PRC Subsidiary and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Plant and machinery	12.5%
Office equipment	12.5%
Motor vehicles	12.5%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Operating leases

Leases that do not substantially transfer to the PRC Subsidiary all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the PRC Subsidiary becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the PRC Subsidiary transfers substantially all the risks and rewards of ownership of the assets; or the PRC Subsidiary neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the PRC Subsidiary are classified as financial assets at amortised cost.

Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

The PRC Subsidiary recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the PRC Subsidiary measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the PRC Subsidiary measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the PRC Subsidiary's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the PRC Subsidiary after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the PRC Subsidiary are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The PRC Subsidiary recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the PRC Subsidiary's performance;

– the PRC Subsidiary's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the PRC Subsidiary's performance does not create an asset with an alternative use to the PRC Subsidiary and the PRC Subsidiary has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

Interest income is recognised using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The PRC Subsidiary contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the PRC Subsidiary and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the PRC Subsidiary to the funds.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the PRC Subsidiary can no longer withdraw the offer of those benefits and when the PRC Subsidiary recognises restructuring costs and involves the payment of termination benefits.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The PRC Subsidiary's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in a subsidiary, except where the PRC Subsidiary is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the PRC Subsidiary expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the PRC Subsidiary intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the PRC Subsidiary.

(A) A person or a close member of that person's family is related to the PRC Subsidiary if that person:

(i) has control or joint control over the PRC Subsidiary;

(ii) has significant influence over the PRC Subsidiary; or

(iii) is a member of the key management personnel of the PRC Subsidiary or of a parent of the PRC Subsidiary.

(B) An entity is related to the PRC Subsidiary if any of the following conditions applies:

(i) The entity and the PRC Subsidiary are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the PRC Subsidiary or an entity related to the PRC Subsidiary. If the PRC Subsidiary is itself such a plan, the sponsoring employers are also related to the PRC Subsidiary.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the PRC Subsidiary or to a parent of the PRC Subsidiary.

Impairment of assets

At the end of each reporting period, the PRC Subsidiary reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the PRC Subsidiary estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the PRC Subsidiary has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the PRC Subsidiary's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. Key estimates

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment loss for bad and doubtful debts

The PRC Subsidiary makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(b) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

6. Financial risk management

The PRC Subsidiary's activities expose it to a variety of financial risks: foreign currency risk, credit risk and liquidity risk. The PRC Subsidiary's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the PRC Subsidiary's financial performance.

(a) Foreign currency risk

The PRC Subsidiary has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Renminbi. The PRC Subsidiary currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The PRC Subsidiary will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amounts of the trade and bills receivables, other receivables, amount due from a director and bank and cash balances included in the statements of financial position represent the PRC Subsidiary's maximum exposure to credit risk in relation to the PRC Subsidiary's financial assets.

The PRC Subsidiary has no significant concentrations of credit risk.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amount due from a director is closely monitored by the directors.

The credit risk on bank and cash balances is limited because the counterparties are banks with good reputation.

The PRC Subsidiary considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– internal credit rating;

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– actual or expected significant changes in the operating results of the borrower;

– significant increases in credit risk on other financial instruments of the same borrower; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the PRC Subsidiary. The PRC Subsidiary normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 365 days past due. Where loans or receivables have been written off, the PRC Subsidiary, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

(c) Liquidity risk

The PRC Subsidiary's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All of the PRC Subsidiary's financial liabilities are due within one year.

(d) Categories of financial instruments

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets:			
Financial assets at amortised cost (including cash and cash equivalents)	12,638	15,085	22,561
Financial liabilities:			
Financial liabilities at amortised cost	8,755	8,452	8,339

(e) Fair values

The carrying amounts of the PRC Subsidiary's financial assets and financial liabilities as reflected in the statements of financial position approximate their respective fair values.

7. **Revenue and segment information**

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Sale of PVC and other plastic products	41,107	40,189	45,076
Subcontracting fee income	–	–	5,837
Revenue from contracts with customers	41,107	40,189	50,913

Disaggregation of revenue from contracts with customers

For the years ended 31 December 2016, 2017 and 2018, all of timing of revenue recognition is at a point in time.

Geographical information

The PRC Subsidiary's operating assets are substantially located in the PRC.

Revenue

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
PRC	31,695	30,929	40,203
Hong Kong	2,472	4,001	3,449
Others	6,940	5,259	7,261
	41,107	40,189	50,913

Revenue from major customers:

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Customer a (Processing fee income)	–	–	5,837
Customer b (Sale of PVC and other plastic products)	6,696	5,048	4,571*
Customer c (Sale of PVC and other plastic products)	2,642*	4,772	3,773*

* Revenue from these customers did not exceed 10% of total revenue in the respective year. These amounts were shown for comparative purpose.

Sale of PVC and other plastic products

The PRC Subsidiary production and sale PVC and other plastic products to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 to 90 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Subcontracting fee income

The PRC Subsidiary provides subcontracting service to the customers. Subcontracting fee income is recognised when the subcontracting service is rendered and there is no unfulfilled obligation that could affect the customer's acceptance of the service.

8. Other gains and losses

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Sales of scrap materials	56	204	79
Gain on disposal of property, plant and equipment	–	95	–
Net exchange (loss)/gain	(2)	9	10
	54	308	89

9. Income tax expenses

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
PRC Corporate Income Tax	853	1,029	1,602

PRC Corporate Income Tax has been provided at a rate of 25% on the estimated assessable profit for the Relevant Periods.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the PRC Corporate Income Tax rate is as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	3,386	4,178	6,411
Tax at domestic income tax rate of 25%	847	1,045	1,602
Tax effect of incomes that are not taxable and expenses that are not deductible	6	(16)	–
Income tax expense	853	1,029	1,602

10. Profit for the year

The PRC Subsidiary's profit for the Relevant Periods is stated after charging/(crediting) the following:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Directors' emoluments	156	156	156
Depreciation	506	492	464
Operating lease charges	99	107	107
Cost of inventories sold	34,422	33,334	41,086
Gain on disposal of property, plant and equipment	–	(95)	–
Staff costs including directors' emoluments			
– salaries, bonuses and allowances	3,248	3,023	3,380
– retirement benefits contributions	408	367	367
	3,656	3,390	3,747

11. Dividends

The directors of the PRC Subsidiary do not recommend the payment of any dividend in respect of the Relevant Periods.

12. Property, plant and equipment

	Plant and machinery *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost				
As 1 January 2016, 31 December 2016 and 1 January 2017	4,869	79	1,062	6,010
Additions	1,659	–	–	1,659
Disposals	(95)	–	–	(95)
As 31 December 2017, 1 January 2018 and 31 December 2018	6,433	79	1,062	7,574
Accumulated depreciation				
As 1 January 2016	3,307	69	648	4,024
Charge for the year	394	9	103	506
As 31 December 2016 and 1 January 2017	3,701	78	751	4,530
Charge for the year	390	1	101	492
Disposals	(95)	–	–	(95)
As 31 December 2017 and 1 January 2018	3,996	79	852	4,927
Charge for the year	419	–	45	464
As 31 December 2018	4,415	79	897	5,391
Carrying amount				
As 31 December 2016	1,168	1	311	1,480
As 31 December 2017	2,437	–	210	2,647
As 31 December 2018	2,018	–	165	2,183

13. Inventories

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	2,086	1,969	2,637
Finished goods	3,810	3,615	3,999
	5,896	5,584	6,636

14. Trade and bills receivables

The PRC Subsidiary's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The PRC Subsidiary seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	6,048	6,099	12,380
Bills receivables	991	691	336
	7,039	6,790	12,716

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
0 to 30 days	1,783	3,035	8,857
31 to 90 days	3,844	2,981	3,188
Over 90 days	421	83	335
	6,048	6,099	12,380

The PRC Subsidiary applies the simplified approach under IFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	**1-90 days past due**	**Total**
At 31 December 2018			
Weighted average expected loss rate	0%	0%	0%
Receivable amount (RMB'000)	12,045	335	12,380
Loss allowance (RMB'000)	–	–	–
At 31 December 2017			
Weighted average expected loss rate	0%	0%	0%
Receivable amount (RMB'000)	6,016	83	6,099
Loss allowance (RMB'000)	–	–	–
At 31 December 2016			
Weighted average expected loss rate	0%	0%	0%
Receivable amount (RMB'000)	5,627	421	6,048
Loss allowance (RMB'000)	–	–	–

15. Due from/(to) directors

Amount due from a director disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance are as follows:

	At 31 December		
	2016	**2017**	**2018**
Name	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Li Jian Wen	(158)	3,846	5,856
Ms. Feng Hui Fen	(1,312)	(1,341)	(1,405)

All the above amounts are unsecured, interest-free and has no fixed repayment terms.

Maximum amount outstanding amount due from a director disclosed are as follows:

	For the year ended 31 December		
	2016	2017	2018
Name	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Li Jian Wen	N/A	3,846	5,865

16. Trade and bills payables

	At 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	3,211	3,811	3,512
Bills payables	342	209	282
	3,553	4,020	3,794

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	At 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
0 to 30 days	1,712	2,219	2,044
31 to 90 days	1,270	1,549	952
Over 90 days	229	43	516
	3,211	3,811	3,512

17. Contract liabilities

Disclosures of revenue-related items:

	At 1 January 2016	**At 31 December 2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	54	80	446	128
Contract receivables (included in trade receivables)		7,039	6,790	12,716
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:				
– 2017		76	N/A	N/A
– 2018		4	446	N/A
– 2019		–	–	128
		80	446	128

	At 31 December 2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised in the year that was included in contract liabilities at beginning of year	50	76	446

Significant changes in contract liabilities during the year:

	At 31 December 2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Increase due to operations in the year	76	442	128
Transfer of contract liabilities to revenue	50	76	446

A contract liability represents the PRC Subsidiary's obligation to transfer products or services to a customer for which the PRC Subsidiary has received consideration (or an amount of consideration is due) from the customer.

18. Due to a related company

The amount is unsecured, interest free and repayable on demand.

19. Capital

	RMB'000
Paid-up capital:	
At 1 January 2016, 31 December 2016, 2017, 2018	1,100

The PRC Subsidiary's objectives when managing capital are to safeguard the PRC Subsidiary's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The PRC Subsidiary currently does not have any specific policies and processes for managing capital.

20. Lease commitments

At the end of each of the reporting period, the PRC Subsidiary had commitment for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	–	–	360
In the second to fifth years inclusive	–	–	720
	–	–	1,080

21. Contingent liabilities

At the end of each Reporting Periods, the PRC Subsidiary did not have any significant contingent liabilities.

22. Changes in liabilities arising from financing activities

	Due to directors
	RMB'000
At 1 January 2016	7,196
Changes in cash flows	(5,726)
At 31 December 2016	1,470
Changes in cash flows	(129)
At 31 December 2017	1,341
Changes in cash flows	64
At 31 December 2018	1,405

23. Related party transactions

In addition to those related party transactions and balances disclosed elsewhere in the Historical Financial Information, the PRC Subsidiary had the following transactions with its related parties during the Relevant Periods.

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Sale of goods to related company A	52	5	58
Sale of goods to related company B	227	303	–
Rental expenses charged by directors	99	107	107

A director, Ms. Feng Hui Fen, has control over the related company A and another director, Mr. Li Jian Wen, has control over the related company B.

24. Subsequent financial statements

No audited financial statements have been prepared by the PRC Subsidiary in respect of any period subsequent to 31 December 2018.

Set out below is the management discussion and analysis on the Target Group for the three years ended 31 December 2018. The following financial information is based on the audited financial information of the Target Group as set out in Appendix IIA and IIB to this circular.

The Target Company

The Target Company is dormant for the period from 20 February 2019 (date of establishment) to 28 February 2019 and just has immaterial asset in the statement of financial position as at 28 February 2019. Therefore, the business review, financial review, liquidity and financial resource and segment information of the Target Company are not specifically discussed in this section.

Capital Commitment

The Target Company had no material capital commitment as at 28 February 2019.

Treasury Policy

The Target Company had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the period from 20 February 2019 (date of establishment) to 28 February 2019.

Exchange exposure

The asset of the Target Company was denominated in the functional currencies of the Target Company. The Target Company had no exchange risk exposure.

Employees and remuneration policy

The Target Company had no staff for the period from 20 February 2019 (date of establishment) to 28 February 2019.

Dividend

No dividend was declared for the period from 20 February 2019 (date of establishment) to 28 February 2019.

Contingent liabilities

The Target Company did not have any material contingent liabilities as at 28 February 2019.

Significant investment

There was no significant investment held by the Target Company as at 28 February 2019.

Acquisitions and disposals of subsidiaries and affiliated company

The Target Company had no acquisitions or disposals of subsidiaries and affiliated companies for the period from 20 February 2019 (date of establishment) to 28 February 2019.

Charge on company assets

There was no charge on company assets by Target Company as at 28 February 2019.

Capital structure

The share capital of the Target Company was US$50,000 as at 28 February 2019.

Future plans for material investment or capital assets

The Target Company will become the investment holding company of the PRC Subsidiary.

The PRC Subsidiary

Set out below is the management discussion and analysis of the PRC Subsidiary for the three years ended 31 December 2016, 2017 and 2018, which is based on detailed financial information of the PRC Subsidiary as set out in the accountants' report in Appendix IIB to this circular.

Business review

The PRC Subsidiary is principally engaged in the production and sale of PVC foam boards, PS foam boards, PVC construction template, automotive interior panel and other plastic products in the PRC. The operation undertaken by the PRC Subsidiary can be broadly divided into two categories, namely (i) production and sale; and (ii) subcontracting service. The PRC Subsidiary has an operating history of over 9 years in the industry.

Financial review

Revenue

During the three years ended 31 December 2016, 2017 and 2018, the PRC Subsidiary continually generated revenue from the production and sale of PVC foam boards, PS foam boards, PVC construction template, automotive interior panel and other plastic products in the PRC and subcontracting service income. For the years ended 31 December 2016, 2017 and 2018, the PRC Subsidiary recorded revenue of approximately RMB41.1 million, RMB40.2 million and RMB50.9 million respectively. For the year ended 31 December 2017, the PRC Subsidiary recorded a slight drop by approximately 2.2% in revenue as compared with that for the year ended 31 December 2016 primarily due to increase of the uncertainty the PRC's economy.

For the year ended 31 December 2018, the PRC Subsidiary recorded a growth in revenue by 26.7% as compared with that for the year ended 31 December 2017 primarily due to the effect of (i) increase of promotion to stimulate the local sales; (ii) commencement of subcontracting service during the year ended 31 December 2018.

Gross profit

Gross profit amounted to approximately RMB6.7 million; RMB6.9 million and RMB9.8 million, which yielded gross profit margin of approximately 16.3%, 17.1%, and 19.3%, for the years ended 31 December 2016, 2017 and 2018, respectively.

For the year ended 31 December 2017, the PRC Subsidiary recorded slightly growth in gross profit margin primarily due to increase of sales price of export sales by the growth of Renminbi's foreign exchange rate. For the year ended 31 December 2018, the PRC Subsidiary recorded growth in gross profit margin due to the commencement of subcontracting service with higher gross profit margin during the year ended 31 December 2018.

Other gains or losses

Other gains or losses amounted to approximately RMB54,000; RMB308,000 and RMB89,000.

For the year ended 31 December 2017, the PRC Subsidiary recorded growth in other gains or losses primarily due to increase of sales of scrap materials and gain on disposal of property, plant and equipment. For the year ended 31 December 2018, the PRC Subsidiary recorded drop in other gains or losses due to decrease of sales of scrap materials and gain on disposal of property, plant and equipment.

Selling expenses

For the years ended 31 December 2016, 2017 and 2018, the selling expenses of the PRC Subsidiary were approximately RMB1.7 million, RMB1.5 million and RMB2.0 million respectively. For the year ended 31 December 2017, the PRC Subsidiary recorded decrease in selling expenses due to decrease in expenses of promotion in events and exhibitions. For the year ended 31 December 2018, the PRC Subsidiary recorded increase in selling expenses due to increase in expenses of promotion in media.

Administrative expenses

For the years ended 31 December 2016, 2017 and 2018, the selling expenses of the PRC Subsidiary were approximately RMB1.7 million, RMB1.5 million and RMB1.5 million respectively. The decrease of administrative expenses was due to the decrease of salaries and staff welfare by decrease in number of administrative staff.

Profit for the year

Profit for the year of the PRC Subsidiary were approximately RMB2.5 million, RMB3.1 million and RMB4.8 million for the three years ended 31 December 2016, 2017 and 2018 respectively. Such increase was mainly due to the increase in gross profit as explained above.

Liquidity and financial resource

(i) As at 31 December 2016, 2017 and 2018, bank and cash balances of the PRC Subsidiary amounted to approximately RMB5.6 million, RMB4.4 million and RMB4.0 million respectively.

(ii) As at 31 December 2016, 2017 and 2018, the current ratio (defined as total current assets divided by total current liabilities) of the PRC Subsidiary were approximately 1.92 times, 1.93 times and 2.23 times respectively and the gearing ratio, being the ratio of the total liabilities to total assets, was approximately 0.48 times, 0.46 times, and 0.42 times respectively.

(iii) The PRC Subsidiary had net assets of approximately RMB10.4 million, RMB13.6 million and RMB18.4 million as at 31 December 2016, 2017 and 2018 respectively. The increase in net assets was mainly due to the operating profit resulted in recent years.

(iv) The amount due to directors as at 31 December 2016, 2017 and 2018 were approximately RMB1.5 million, RMB1.3 million and RMB1.4 million respectively. The amount due to a related company as at 31 December 2016, 2017 and 2018 were approximately RMB2.8 million, RMB2.7 million and RMB2.7 million respectively. The amount due to directors was unsecured, interest-free and has no fixed repayment terms. The amount due to a related company was unsecured, interest free and repayable on demand.

Capital Commitment

The PRC Subsidiary had no material capital commitment as at 31 December 2016, 2017 and 2018.

Treasury Policy

The PRC Subsidiary had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the years ended 31 December 2016, 2017 and 2018.

Exchange exposure

Most of the trading transactions, assets and liabilities of the PRC Subsidiary were denominated in the functional currencies of the PRC Subsidiary. The PRC Subsidiary had an insignificant exchange risk exposure since the PRC Subsidiary's principal businesses were conducted and recorded in functional currencies of the PRC Subsidiary during the years ended 31 December 2016, 2017 and 2018.

Employees and remuneration policy

Remuneration for employees were maintained at a competitive level and determined with reference to the general market condition and qualifications and experience of the employees concerned. Employees' salaries and wages for the years ended 31 December 2016, 2017 and 2018 were approximately RMB3.7 million, RMB3.4 million and RMB3.7 million, respectively. As at 31 December 2016, 2017 and 2018, the PRC Subsidiary had 80, 81 and 81 employees respectively. Remuneration packages comprised salaries and defined contribution pension fund. Apart from pension, discretionary bonus will also be granted to certain employees as awards in accordance with individual performance. The PRC Subsidiary has no share option scheme.

Dividend

No dividend was declared for the years ended 31 December 2016, 2017 and 2018.

Contingent liabilities

The PRC Subsidiary did not have any material contingent liabilities as at 31 December 2016, 2017 and 2018.

Significant investment

There was no significant investment held by the PRC Subsidiary as at 31 December 2016, 2017 and 2018.

Acquisitions and disposals of subsidiaries and affiliated company

The PRC Subsidiary had no acquisitions or disposals of subsidiaries and affiliated companies for the years ended 31 December 2016, 2017 and 2018.

Segment information

The PRC Subsidiary's operating segment is the production and sale of PVC foam boards, PS foam boards, PVC construction template, automotive interior panel and other plastic products; and subcontracting service in the PRC.

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Sale of PVC and other plastic products	41,107	40,189	45,076
Subcontracting fee income	–	–	5,837
	41,107	40,189	50,913

Set out below are the geographical information of the PRC Subsidiary:

The PRC Subsidiary's operating assets are substantially located in the PRC.

Revenue derived from	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
PRC	31,695	30,929	40,203
Hong Kong	2,472	4,001	3,449
Others	6,940	5,259	7,261
	41,107	40,189	50,913

Charge on company assets

There was no charge on company assets by the PRC Subsidiary as at 31 December 2016, 2017 and 2018.

Capital structure

The share capital of the PRC Subsidiary was approximately RMB1.1 million as at 31 December 2016, 2017 and 2018.

Future plans for material investment or capital assets

The PRC Subsidiary did not have any future plans for material investments or capital assets.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

中汇 ZHONGHUI

30 May 2019

The Board of Directors
Furniweb Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Furniweb Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 31 December 2018 (the "Statement") as set out on pages IV-4 to IV-7 of the investment circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the Statement are described in Appendix IV of the Circular.

The Statement has been compiled by the directors to illustrate the impact of the proposed acquisition of the entire equity interest of Meinaide Holdings Group Limited (the "Target Company") on the Group's financial position as at 31 December 2018 as if the transaction had been taken place at 31 December 2018. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements as included in the annual report for the year ended 31 December 2018, on which audit report has been published.

DIRECTORS' RESPONSIBILITY FOR THE PRO FORMA FINANCIAL INFORMATION

The directors are responsible for compiling the Statement in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline ("AG") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Statement in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Statement, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Statement.

The purpose of the Statement included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2018 would have been as presented.

A reasonable assurance engagement to report on whether the Statement has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Statement provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Statement reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Statement has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Statement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

(a) the Statement has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Statement as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Ng Ka Lok
Practising Certificate Number P06084

(1) INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Capitalised terms used herein shall have the same meanings as those defined in this Circular, unless the context requires otherwise.

The accompanying unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information") has been prepared by the Directors of the Company to illustrate the effect of the Acquisition.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2018 as extracted from the Group's consolidated financial statements as included in the annual report for the year ended 31 December 2018, the audited consolidated statement of financial position of the Target Company as at 28 February 2019 and the audited statement of financial position of the PRC Subsidiary as at 31 December 2018 as extracted from the accountants' report as set out in Appendix IIA and IIB of this Circular after making certain proforma adjustments resulting from the Acquisition.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition actually occurred on 31 December 2018. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Group's future financial position.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix I of this Circular, the financial information of the Target Company and the PRC Subsidiary as set out in Appendix IIA and IIB of this Circular respectively and other financial information included elsewhere in this Circular.

(2) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	Audited consolidated statement of financial position of the Group as at 31 December 2018	Audited statement of financial position of the Target Company as at 28 February 2019	Audited statement of financial position of the Target Company as at 28 February 2019	Audited statement of financial position of the PRC Subsidiary as at 31 December 2018	Audited statement of financial position of the PRC Subsidiary as at 31 December 2018	Sub-total	Pro forma adjustment	The Enlarged Group
	RM'000	*USD'000*	*RM'000*	*RMB'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 3)*	*(Note 3)*		*(Note 4, 5)*	
Non-current assets								
Property, plant and equipment	34,815	–	–	2,183	1,317	36,132	–	36,132
Intangible assets	1,255	–	–	–	–	1,255	–	1,255
Interest in an associate	4,175	–	–	–	–	4,175	–	4,175
Interest in joint venture	1,146	–	–	–	–	1,146	–	1,146
Loan to an associate	4,712	–	–	–	–	4,712	–	4,712
Deferred tax assets	673	–	–	–	–	673	–	673
Goodwill	–	–	–	–	–	–	64,185	64,185
	46,776	–	–	2,183	1,317	48,093	64,185	112,278
Current assets								
Inventories	22,120	–	–	6,636	4,005	26,125	–	26,125
Trade and other receivables	19,501	–	–	12,833	7,745	27,246	–	27,246
Amount due from a joint venture	84	–	–	–	–	84	–	84
Amount due from an associate	721	–	–	–	–	721	–	721
Amount due from related parties	–	50	208	5,856	3,534	3,742	(3,742)	–
Current tax recoverable	448	–	–	–	–	448	–	448
Time deposits maturing over three months	647	–	–	–	–	647	–	647
Cash and bank balances	31,600	–	–	3,986	2,406	34,006	–	34,006
	75,121	50	208	29,311	17,690	93,019	(3,742)	89,277
Current liabilities								
Trade and other payables	11,254	–	–	6,242	3,767	15,021	–	15,021
Contract liabilities	127	–	–	128	77	204	–	204
Bank borrowings	1,095	–	–	–	–	1,095	–	1,095
Current tax liabilities	442	–	–	2,667	1,610	2,052	–	2,052
Amounts due to related parties	–	–	–	4,092	2,470	2,470	(2,470)	–
	12,918	–	–	13,129	7,924	20,842	(2,470)	18,372
Net current assets	62,203	50	208	16,182	9,766	72,177	(1,272)	70,905
Total assets less current liabilities	108,979	50	208	18,365	11,083	120,270	62,913	183,183
Non-current liabilities								
Bank borrowings	9,574	–	–	–	–	9,574	–	9,574
Deferred tax liabilities	743	–	–	–	–	743	–	743
	10,317	–	–	–	–	10,317	–	10,317
Net assets	98,662	50	208	18,365	11,083	109,953	62,913	172,866

(3) NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) Figures are extracted from the audited consolidated statement of financial position of the Group as set out in the consolidated financial statements of the Company for the year ended 31 December 2018.

(2) Figures are extracted from the Target Company's statement of financial position as at 28 February 2019 included in the accountants' report of the Target Company as set out in Appendix IIA to the Circular and converted to the presentation currency of the Group of Malaysian Ringgit ("RM"). The conversion of USD into RM for the statement of financial position of the Target Company are based on the exchange rate of USD1 translated to RM4.15098. No representation is made that USD amounts have been, could have been or could be converted into RM, or vice versa, at that rate or at any other rates or at all.

(3) Figures are extracted from the PRC Subsidiary's statement of financial position as at 31 December 2018 included in the accountants' report of the PRC Subsidiary as set out in Appendix IIB to the Circular and converted to the presentation currency of the Group of RM. The conversion of RMB into RM for the statement of financial position of the PRC Subsidiary are based on the exchange rate of RMB1 translated to RM0.60350. No representation is made that RMB amounts have been, could have been or could be converted into RM, or vice versa, at that rate or at any other rates or at all.

(4) Pursuant to the Sale and Purchase Agreement and directors estimate, the Vendor procures the Target Company and the PRC Subsidiary to settle the amounts due from/ to related parties before the day of completion.

(5) Pursuant to the Sale and Purchase Agreement, the total consideration amounting to HKD140,000,000 (approximate equivalent to RM74,204,000) for the acquisition of entire equity interests of Target Company, which shall be satisfied by the Company by way of allotment and issue of the Consideration Shares. Goodwill recognised amounting to RM64,185,000 as follows:

	RM'000
Net asset of the Target Company	208
Net asset of the PRC Subsidiary	11,083
Less: Settlement of amounts due from/to related parties by Vendor before completion	(1,272)
	10,019
Less: transaction consideration	(74,204)
Goodwill	(64,185)

For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the directors of the Company have assessed whether the goodwill will be impaired as at 31 December 2018 on a pro forma basis in accordance with International Accounting Standard 36 "Impairment of Assets" and concluded that there is no indication of impairment of the goodwill arising from the Acquisition as at 31 December 2018 because its recoverable amount exceeds carrying amount, and the Company's reporting accountant has agreed with the relevant assessments. The Company will adopt consistent accounting policies, principal assumptions and valuation methods as used in the Unaudited Pro Forma Financial Information to assess impairment of the goodwill arising from the Acquisition in future financial statements.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

a) Directors' and chief executive's interests in the Company

As at the Latest Practicable Date, the interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the SFO) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive is taken or deemed to have under such provision of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

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

Name of Director	Name of the associated corporation	Capacity/Nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of shareholding
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)	4.80%
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	56,547,500 shares of RM0.25 each (L)	17.48%

Notes:

1. The letter "L" denotes the long position of the Director in the 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.

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

Name of Director	Name of the associated corporation	Capacity/Nature of interest	Number and class of securities *(Note 1 & 3)*	Approximate percentage of shareholding
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	21,668,300 shares of RM0.25 each (L)	6.70%
Mr. Cheah Eng Chuan	PRG Holdings *(Note 2)*	Beneficial owner	5,175,518 shares of RM0.25 each (L)	1.60%
Dato' Sri Dr. Hou Kok Chung	PRG Holdings *(Note 2)*	Beneficial owner	315,000 shares of RM0.25 each (L)	0.10%

Notes:

1. The letter "L" denotes the long position of the Directors 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 from the date of issue of the warrants (i.e. 7 July 2014).

Save as disclosed above, as at the Latest Practicable Date, 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 recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

b) Substantial Shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, the following persons (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Interests and shorts positions in the Shares

Name of Shareholder	**Capacity/Nature of interest**	**Number and class of securities** *(Note 1)*	**Approximate percentage of shareholding**
PRG Holdings *(Notes 2 & 3)*	Beneficial owner	317,520,000 Shares (L)	63%
Ong Asia Securities (HK) Limited *(Note 4)*	Security interest	257,000,000 Shares (L)	51%
Malayan Banking Berhad *(Note 5)*	Security interest	257,000,000 Shares (L)	51%

Notes:

1. The letter "L" denotes the person's long position of (as defined under Part XV of the SFO) 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, 257,000,000 Shares were on 16 January 2019 pledged as a collateral for a term loan to PRG Holdings.

3. Dato' Lua Choon Hann, an executive Director, is the vice chairman of PRG Holdings.

4. According to the disclosure of interest filed by Ong Asia Securities (HK) Limited ("**Ong Asia**"), it had created a security interest over 257,000,000 Shares on 16 January 2019.

5. According to the disclosure of interest filed by Malayan Banking Berhad, Malayan Banking Berhad has 100% indirect equity interest in Ong Asia and is deemed to be interested in the security interest in the 257,000,000 Shares held by Ong Asia under Part XV of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or controlling Shareholder (as defined in the GEM Listing Rules) nor their respective close associates (as defined in the GEM Listing Rules) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group or has any conflict of interest with the Enlarged Group.

4. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years, subject to review by the Board and upon the recommendation of its remuneration committee, may be renewable for successive terms of one year upon expiry of the then current term. The appointment of each of the executive Director may be terminated by either party by giving not less than three months' notice in writing to the other.

Each of the non-executive Directors and the independent non-executive Directors has been appointed for an initial term of two years, provided that either the Company or the non-executive Directors and the independent non-executive Directors may terminate such appointment at any time by giving at least two months' notice in writing to the other.

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTEREST IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had since 31 December 2018 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

7. EXPERT AND CONSENT

The following sets out the qualification of the expert who has given opinions, letters or advice included in this circular:

Name	Qualifications
ZHONGHUI ANDA CPA Limited	Certified Public Accountants

The above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice or report, as the case may be, and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the expert had no shareholding in any member of the Enlarged Group nor had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, the above expert had no direct or indirect interest in any assets which had, since 31 December 2018 (the date to which the latest published audited financial statements of the Group were made up), been acquired, disposed of by or leased to, or were proposed to be acquired, disposed of by or leased to any member of the Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(i) a share purchase agreement dated 26 July 2017 entered into among FVSC (VN), Scoot Filoot Pty Ltd ("**Scoot**") and Shann Australia Pty Ltd ("**Shann**") and Lubra Beteiligungsgesellschaft mbH ("**Lubra**") pursuant to which Lubra acquired from FVSC(VN), Scoot and Shann the US$370,371, US$54,355 and US$26,939 registered and paid up charter capital in FCV (VN) at a cash consideration of US$9,179, US$1,347 and US$668, respectively;

(ii) a members agreement of FCV (VN) dated 26 July 2017 entered into among FVSC (VN), Scoot, Shann and Lubra pursuant to which, among other matters, (a) Lubra contributed in cash an amount of US$1,310,000 to the registered and paid up charter capital of FCV (VN); and (b) the shareholders of FCV (VN) agreed to regulate the arrangements relating to their membership in FCV (VN) and the management operations and affairs of FCV (VN);

(iii) a share purchase agreement dated 21 September 2017 entered into among others, PRG Holdings as vendor and the Company as purchaser pursuant to which the Company acquired the entire issued share capital in FIPB International Limited in consideration of and in exchange for which the Company (a) allotted and issued, credited as fully paid, an aggregate of 19,000,000 new Shares to PRG Holdings; and (b) credited as fully paid at par the 1,000,000 Shares issued as nil paid which was registered in the name of PRG Holdings;

(iv) the deed of indemnity dated 28 September 2017 entered into by PRG Holdings in favour of the Company (for itself and as trustee for each member of the Group) to provide certain indemnities, particulars of which are set out in the prospectus of the Company dated 29 September 2017;

(v) the deed of non-competition dated 28 September 2017 entered into by PRG Holdings in favour of the Company (for itself and as trustee for each member of the Group), particulars of which are set out in the prospectus of the Company dated 29 September 2017;

(vi) the underwriting agreement dated 28 September 2017 entered into among the Company, PRG Holdings, the then executive Directors, the sole sponsor, the sole global coordinator and the public offer underwriter relating to the public offer, particulars of which are set out in the prospectus of the Company dated 29 September 2017; and

(vii) the Sale and Purchase Agreement.

9. AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions in the Corporate Governance Code of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual reports and financial statements, interim reports and quarterly reports and to provide advices and comments thereon to the Board. The audit committee is also responsible for reviewing the accounting principles and practices adopted by the Group and also the auditing, internal control and financial reporting matters.

The audit committee of the Board comprises three independent non-executive Directors, namely, Mr. Ho Ming Hon, Dato' Sri Wee Jeck Seng and Dato' Sri Dr. Hou Kok Chung. Mr. Ho Ming Ho is the chairman of the audit committee of the Board. Set out below are their biographical details:

Mr. Ho Ming Hon

Mr. Ho Ming Hon, aged 43, has joined the Group since 20 September 2017. His roles and responsibilities within the Group are to oversee the management of the Group independently. He obtained a bachelor degree of accounting from The National University of Malaysia in 1998 and is a certified public accountant and a member of The Malaysian Institute of Certified Public Accountants. He has over 15 years of experience in auditing and corporate finance. He joined PricewaterhouseCoopers from April 1998 to February 2002 with his last position as an assistant manager. He then subsequently worked at an investment bank, AmInvestment Bank Berhad, from February 2002 until November 2007, with his last position as an associate director, where he specialised in corporate finance and had undertaken various corporate exercises such as mergers and acquisitions, restructuring, fund raising and also initial public offerings. He joined Pelikan International Corporation Bhd. ("**Pelikan International**") in November 2007, a company whose shares are listed on Bursa Malaysia Securities Berhad and currently, he holds office as the senior vice-president and Head of Corporate Finance and Corporate Services of Pelikan International. He is mainly responsible for the overall management of the operations, financial management including treasury and reporting, corporate, secretarial and legal functions of Pelikan International. He did not hold any directorship in other listed public companies in Hong Kong or overseas in the three years immediately preceding the Latest Practicable Date.

Dato' Sri Wee Jeck Seng

Dato' Sri Wee Jeck Seng, aged 54, has joined the Group since 20 September 2017. His roles and responsibilities within the Group are to oversee the management of the Group independently. He is active in community affairs and politics and served as the secretary to the deputy minister of the Ministry of Home Affairs in Malaysia, political secretary to the Ministry of the Housing and Local Government in Malaysia and the deputy minister of the Ministry of Youth and Sports in Malaysia in the past. Currently, he is a member of Parliament of Malaysia for Tanjung Piai. He obtained a bachelor degree of Business Management from the University of Sunderland in the United Kingdom in 2007 and a master degree of Public Administration (major in public administration) from the Universiti Utara Malaysia in 2013. From January 2015 to December 2016, he was appointed as the chairman of Malaysia Timber Council. Currently, he is appointed as the chairman of Labuan Port Authority by the Ministry of Transport in Malaysia. He did not hold any directorship in other listed public companies in Hong Kong or overseas in the three years immediately preceding the Latest Practicable Date.

Dato' Sri Dr. Hou Kok Chung

Dato' Sri Dr. Hou Kok Chung, aged 56, has joined the Group since 20 September 2017. His roles and responsibilities within the Group are to oversee the management of the Group independently. He obtained a bachelor degree and master degree of Arts from University of Malaya in 1987 and 1990 respectively. He obtained a doctor degree of Philosophy from the School of Oriental and African Studies, the University of London in 1998 and he was a member of Parliament and the Deputy Minister of Higher Education Malaysia from 2008 to 2013. He is an expert in East Asian and China studies. He served at University of Malaya from 1990 to 2008 as a lecturer and lastly as Associate Professor. During his tenure in University of Malaya, he had been appointed and held positions as Head of Department of East Asian Studies, and director of Institute of China Studies. He attended various conferences and seminars and worked on a handful of publications relating to economy, political environment and culture of East Asian countries and China. His vast experience, knowledge and understanding on this subject will enable him to contribute to the Group by bringing his insights in enhancing the future marketing strategies and positioning in East Asian market. He is a non-executive director of Parkson Retail Group Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 3368) since 2014. Save as disclosed above, he did not hold any directorship in other listed public companies in Hong Kong or overseas in the three years immediately preceding the Latest Practicable Date.

10. GENERAL

(i) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

(ii) Mr. Tan Chuan Dyi, an executive Director, is the compliance officer of the Company.

(iii) The joint company secretary of the Company is (i) Mr. Kwok Siu Man, who is a fellow member of each of The Institute of Chartered Secretaries and Administrators and The Institute of Financial Accountants in England, the Institute of Public Accountants in Australia, The Hong Kong Institute of Chartered Secretaries, The Association of Hong Kong Accountants and The Hong Kong Institute of Directors and a member of the Hong Kong Securities and Investment Institute; and (ii) Mr. Au Yeung Yiu Chung, who is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom, an International Certified Valuation Specialist holder and a Certified M&A Dealmaker issued by the China Mergers & Acquisitions Association and the Museum of Mergers and Acquisitions in the PRC.

(iv) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the head office is at Lot 1883, Jalan KPB9, Kg. Bharu Balakong, 43300 Seri Kembangan, Selangor, Malaysia and principal place of business in Hong Kong is located at 31st Floor, 148 Electric Road, North Point, Hong Kong.

(v) The Company's Hong Kong branch share registrar and transfer office is Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's head office and principal place of business in Hong Kong at 31st Floor, 148 Electric Road, North Point, Hong Kong up to and including the date of the EGM:

(i) the memorandum and articles of association of the Company;

(ii) the Sale and Purchase Agreement;

(iii) the annual reports of the Company for each of the three years ended 31 December 2016, 2017 and 2018;

(iv) the accountant's report of the Target Company, the text of which is set out in Appendix IIA to this circular;

(v) the accountant's report of the PRC Subsidiary, the text of which is set out in Appendix IIB to this circular;

(vi) the report from ZHONGHUI ANDA CPA Limited on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(vii) the written consent referred to in the paragraph headed "7. EXPERT AND CONSENT" in this Appendix;

(viii) the material contracts referred to in the paragraph headed "8. MATERIAL CONTRACTS" in this Appendix;

(ix) copy of each circular issued pursuant to the requirements set out in Chapters 19 and 20 of the GEM Listing Rules which has been issued since the date of the latest published audited accounts; and

(x) this circular.

FURNIWEB HOLDINGS LIMITED
飛霓控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8480)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Furniweb Holdings Limited (the "**Company**") will be held at Arcadia II, Level 3, Hotel Armada Petaling Jaya, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 19 June 2019 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the conditional sale and purchase agreement dated 12 March 2019 (the "**Sale and Purchase Agreement**") entered into among the Company as purchaser, Triumph Star Global Limited as vendor (the "**Vendor**") and Jim Ka Man as guarantor in relation to the sale and purchase of the entire issued share capital of Meinaide Holdings Group Limited (the "**Acquisition**") for a total consideration of HK$140,000,000 (a copy of which has been marked "A" and is produced to the EGM and signed by the chairman of the EGM for identification purpose) and all the transactions contemplated thereunder be and are hereby ratified, confirmed and approved;

(b) the allotment and issue of 56,000,000 new ordinary shares (the "**Consideration Shares**") of HK$0.10 each in the share capital of the Company to the Vendor or its nominee for full settlement of the consideration payable by the Company to the Vendor for the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement be and is hereby approved; and

(c) any one or more director(s) of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents (and to affix the common seal of the Company thereon, if necessary) which he/she/they consider necessary, desirable or expedient to implement or give effect to the Sale and Purchase Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares)."

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

Hong Kong, 30 May 2019

Registered office:
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters:
Lot 1883, Jalan KPB9
Kg. Bharu Balakong
43300 Seri Kembangan
Selangor
Malaysia

Principal place of business in Hong Kong:
31st Floor, 148 Electric Road
North Point
Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM may appoint a proxy to attend and, on a poll, vote on his behalf and such proxy need not be a member of the Company. A form of proxy for use at the EGM is enclosed.

2. In order to be valid, the form of proxy, together with any power of attorney or authority under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than Monday, 17 June 2019 at 10:30 a.m. or any adjournment thereof.

3. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the EGM convened or any adjournment thereof and in such event, the authority of the proxy shall be deemed to be revoked.

4. The proposed ordinary resolution set out in this notice will be voted by the shareholders of the Company and by way of a poll.

5. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

6. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto. If more than one of such joint holders are present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

7. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the EGM will be Thursday, 13 June 2019. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 13 June 2019.