

# FURNIWEB HOLDINGS LIMITED

## 飛霓控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8480



# SHARE OFFER

Sole Sponsor



**Shenwan Hongyuan Capital (H.K.) Limited**

申萬宏源融資(香港)有限公司

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



**元大證券(香港)有限公司**  
Yunta Securities (Hong Kong) Co., Ltd.

## IMPORTANT

**IMPORTANT:** If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

# FURNIWEB HOLDINGS LIMITED

飛霓控股有限公司

(Incorporated in the Cayman Islands with limited liability)

## LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

**Number of Offer Shares : 126,000,000 Shares (subject to the Offer Size Adjustment Option)**  
**Number of Public Offer Shares : 12,600,000 Shares (subject to reallocation)**  
**Number of Placing Shares : 113,400,000 Shares (subject to reallocation and the Offer Size Adjustment Option)**  
**Offer Price : HK\$0.5 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**  
**Nominal Value : HK\$0.10 per Share**  
**Stock Code : 8480**

**Sole Sponsor**



**Shenwan Hongyuan Capital (H.K.) Limited**

申萬宏源融資(香港)有限公司

**Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager**



**元大證券(香港)有限公司**  
Yuanta Securities (Hong Kong) Co., Ltd.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection — Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

**Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in "Risk Factors" in this prospectus.**

The Sole Global Coordinator (for itself and on behalf of the Underwriter) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the Placing, and with the consent of our Company, reduce the number of Offer Shares in the Share Offer at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notices of the reduction in the number of Offer Shares in the Share Offer will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.furniweb.com.my](http://www.furniweb.com.my), as soon as practicable following the decision to make such reduction or change and, in any event, not later than the morning of the day which is the last day for lodging applications under the Public Offer. Further details are set out in "Structure and Conditions of the Share Offer" in this prospectus.

Prospective investors of the Offer Shares should note that the Sole Global Coordinator (for itself and on behalf of the Underwriter) may in its sole and absolute discretion, upon giving notice in writing to our Company, terminate the obligations of the Public Offer Underwriter pursuant to the Public Offer Underwriting Agreement if certain grounds arise at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. See "Underwriting — Underwriting Arrangements and Expenses — Public Offer — Grounds for termination" in this prospectus for further details of the terms of the termination provisions.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable US state securities laws. The Offer Shares are being offered and sold outside the United States in reliance on Regulation S under the U.S. Securities Act and the applicable laws of each jurisdiction where those offers and sales occur.

29 September 2017

## CHARACTERISTICS OF GEM

*GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.*

*Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to higher 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.*

*The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on GEM-listed issuers.*

## EXPECTED TIMETABLE

*We will issue an announcement in Hong Kong to be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.furniweb.com.my](http://www.furniweb.com.my) if there is any change in the following expected timetable.*

**2017**  
(Note 1)

Public Offer commences and **WHITE** and **YELLOW**

Application Forms available from ..... 9:00 a.m. on  
Friday, 29 September

Application lists of Public Offer open (Note 2) ..... 11:45 a.m. on  
Friday, 6 October

Latest time for lodging **WHITE** and **YELLOW** Application Forms ..... 12:00 noon on  
Friday, 6 October

Latest time to give **electronic application instructions** to HKSCC (Note 3) ..... 12:00 noon on  
Friday, 6 October

Application lists of Public Offer close (Note 2) ..... 12:00 noon on  
Friday, 6 October

Announcement of the indications of the levels of interest in the Placing,  
the levels of applications of the Public Offer and the basis of  
allotment and the results of applications in the Public Offer  
to be published on the website of the Stock Exchange  
at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website  
at [www.furniweb.com.my](http://www.furniweb.com.my) on or before ..... Friday, 13 October

Announcement of results of allocations in the Public Offer  
(with successful applicants' identification document  
numbers, where appropriate) to be available through  
a variety of channels including our Company's website  
at [www.furniweb.com.my](http://www.furniweb.com.my) and the website of the Stock Exchange  
at [www.hkexnews.hk](http://www.hkexnews.hk) (for further details, see  
"How to Apply for Public Offer Shares —  
10. Publication of Results" in this prospectus) on or before ..... Friday, 13 October

Results of allocations in the Public Offer will be available  
at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a "search by ID Number/  
Business Registration Number" function from ..... Friday, 13 October

Despatch/collection of refund cheques in respect of  
wholly or partially unsuccessful applications  
pursuant to the Public Offer on or before (Notes 4 to 8) ..... Friday, 13 October

Despatch/collection of share certificates in respect of  
wholly or partially successful applications pursuant to  
the Public Offer on or before (Notes 4 to 7 and 9) ..... Friday, 13 October

Dealings in Shares on GEM to commence at ..... 9:00 a.m. on  
Monday, 16 October

## EXPECTED TIMETABLE

*Notes:*

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure and conditions of the Share Offer, including its conditions, are set out in “Structure and Conditions of the Share Offer” in this prospectus.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 6 October 2017, the application lists will not open on that day. For further details, see “How to Apply for Public Offer Shares — 9. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
3. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Public Offer Shares — 5. Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
4. Share certificates for the Public Offer Shares are expected to be issued on or before Friday, 13 October 2017 but will only become valid certificates of title at 8:00 a.m. on Monday, 16 October 2017 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
5. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Form(s) and have provided all information required may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Friday, 13 October 2017 or any other day as announced by us as the date of despatch of Share certificates/refund cheques. Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.
6. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms and have provided all information required may collect their refund cheques, if any, in person but may not collect their Share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
7. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the relevant Application Form. For further information, applicants should refer to “How to Apply for Public Offer Shares — 13. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.
8. Refund cheques will be despatched in respect of wholly or partially unsuccessful applications pursuant to the Public Offer.
9. Share certificates will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

For details of the structure and conditions of the Share Offer, see “Structure and Conditions of the Share Offer” in this prospectus.

# CONTENTS

## IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Share Offer and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriter, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Share Offer.*

|                                                                    | <i>Page</i> |
|--------------------------------------------------------------------|-------------|
| <b>CHARACTERISTICS OF GEM .....</b>                                | <b>i</b>    |
| <b>EXPECTED TIMETABLE .....</b>                                    | <b>ii</b>   |
| <b>CONTENTS .....</b>                                              | <b>iv</b>   |
| <b>SUMMARY .....</b>                                               | <b>1</b>    |
| <b>DEFINITIONS .....</b>                                           | <b>16</b>   |
| <b>GLOSSARY OF TECHNICAL TERMS .....</b>                           | <b>25</b>   |
| <b>FORWARD-LOOKING STATEMENTS .....</b>                            | <b>26</b>   |
| <b>RISK FACTORS .....</b>                                          | <b>27</b>   |
| <b>INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER .....</b> | <b>48</b>   |
| <b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER .....</b>     | <b>51</b>   |
| <b>CORPORATE INFORMATION .....</b>                                 | <b>54</b>   |
| <b>INDUSTRY OVERVIEW .....</b>                                     | <b>56</b>   |
| <b>REGULATORY OVERVIEW .....</b>                                   | <b>74</b>   |



# CONTENTS

|                                                                                                                                 | <i>Page</i> |
|---------------------------------------------------------------------------------------------------------------------------------|-------------|
| <b>HISTORY, REORGANISATION AND CORPORATE STRUCTURE .....</b>                                                                    | 99          |
| <b>BUSINESS .....</b>                                                                                                           | 114         |
| <b>DIRECTORS AND SENIOR MANAGEMENT .....</b>                                                                                    | 176         |
| <b>RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER .....</b>                                                                      | 192         |
| <b>SUBSTANTIAL SHAREHOLDERS .....</b>                                                                                           | 198         |
| <b>SHARE CAPITAL .....</b>                                                                                                      | 200         |
| <b>FINANCIAL INFORMATION .....</b>                                                                                              | 203         |
| <b>STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS .....</b>                                                               | 260         |
| <b>UNDERWRITING .....</b>                                                                                                       | 267         |
| <b>STRUCTURE AND CONDITIONS OF THE SHARE OFFER .....</b>                                                                        | 277         |
| <b>HOW TO APPLY FOR PUBLIC OFFER SHARES .....</b>                                                                               | 282         |
| <b>APPENDIX I — ACCOUNTANT’S REPORT .....</b>                                                                                   | I-1         |
| <b>APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION .....</b>                                                            | II-1        |
| <b>APPENDIX III — PROPERTY VALUATION REPORT .....</b>                                                                           | III-1       |
| <b>APPENDIX IV — SUMMARY OF THE CONSTITUTION OF OUR COMPANY<br/>AND THE CAYMAN ISLANDS COMPANIES LAW .....</b>                  | IV-1        |
| <b>APPENDIX V — STATUTORY AND GENERAL INFORMATION .....</b>                                                                     | V-1         |
| <b>APPENDIX VI — ADDITIONAL FINANCIAL INFORMATION<br/>OF OUR SUBSIDIARIES .....</b>                                             | VI-1        |
| <b>APPENDIX VII — DOCUMENTS DELIVERED TO THE REGISTRAR<br/>OF COMPANIES IN HONG KONG AND<br/>AVAILABLE FOR INSPECTION .....</b> | VII-1       |

## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We are a long established elastic textile and webbing manufacturer in Malaysia and Vietnam. We started off as a covered elastic yarn and furniture webbing manufacturer in Malaysia in 1987, and gradually expanded our product mix to include narrow elastic fabric and seat belt webbing over the years from 1989 to 2002.

In 1997, we established our operation in Vietnam to take advantage of the potential and business prospects, such as the availability of labour at competitive costs and the introduction of favourable taxation environment for foreign investments, in the Vietnamese market. Notwithstanding the fact that our operation in Vietnam has become larger than the one in Malaysia, our headquarters remains located in Malaysia. Sales from our Malaysian production facilities accounted for 38.3%, 35.7% and 37.0% of our revenue for FY2015, FY2016 and 1Q2017, respectively; whereas sales from our Vietnamese production facilities accounted for 61.7%, 64.3% and 63.0% of our revenue during the same period, respectively.

During the Track Record Period, we manufactured and sold (i) elastic textile comprising covered elastic yarn and narrow elastic fabric, which accounted for 52.0%, 54.4% and 50.2% of our revenue during the same period, respectively; (ii) webbing comprising furniture webbing and seat belt webbing, which accounted for 32.9%, 32.7% and 37.2% of our revenue during the same period, respectively; and (iii) other products comprising rubber tape and metal components for furniture which are also required by some of our elastic textile and webbing customers, which accounted for 15.1%, 12.9% and 12.6% of our revenue during the same period, respectively. Most of our products which feature elasticity or high tensile strength, serve as the raw materials or components for a wide range of end products. Our elastic textile products are mainly used to produce gloves, bandages, intimate apparels and elastic bands for food packaging; whereas our webbing products are mainly used in furniture and seat belt for automobiles. Therefore, the demand for our products is mainly driven by the business growth of our manufacturing customers in the downstream industries.

During the Track Record Period, we manufactured and sold our products in Malaysia and Vietnam, and also exported our products to over 30 countries including the United States, the United Kingdom, India, Indonesia, Australia, Sri Lanka and Pakistan. Sales in Malaysia and Vietnam in aggregate accounted for 44.1%, 46.1% and 46.8% of our revenue for FY2015, FY2016 and 1Q2017, respectively; whilst export sales accounted for 55.9%, 53.9% and 53.2% of our revenue during the same period, respectively.

See “Summary Financial Information — Revenue and gross profit margin” in this section for the analysis of our revenue by product segments and customer groups as well as geographical regions.

We are a group of companies being spun-off from our listed parent company, PRG Holdings, whose shares are listed on the Main Market of Bursa Malaysia. The proposed Listing has been duly approved by the shareholders of PRG Holdings on 21 July 2017 in accordance with the requirements of



## SUMMARY

the Main Market Listing Requirements of Bursa Malaysia. For details, see “History, Reorganisation and Corporate Structure — Our History — Overview” on page 99 and “History, Reorganisation and Corporate Structure — Approval from Shareholders of PRG Holdings” on page 110 of this prospectus.

### OUR PRODUCTS

Our products are generally sold to our customers for the production of end products with wide applications in different industries, which are set out as follows:

| Our principal products        | Key features                                                          | Applications                                                                                                       | Average selling price per unit (RM) |        |        |        |
|-------------------------------|-----------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|-------------------------------------|--------|--------|--------|
|                               |                                                                       |                                                                                                                    | Unit                                | FY2015 | FY2016 | 1Q2017 |
| Elastic textile               |                                                                       |                                                                                                                    |                                     |        |        |        |
| Covered elastic yarn          | High elasticity                                                       | Glove, sock, bandage, elastic band for food packaging                                                              | kg                                  | 32.0   | 34.5   | 37.0   |
| Narrow elastic fabric         | High elasticity and comfortableness                                   | Underwear                                                                                                          | m                                   | 0.30   | 0.35   | 0.4    |
| Webbing                       |                                                                       |                                                                                                                    |                                     |        |        |        |
| Furniture webbing             | Elastic webbing for supportive foundation in armchairs and sofas      | Sofa and chair                                                                                                     | m                                   | 0.62   | 0.65   | 0.72   |
| Seat belt webbing             | High tenacity and better resistance to abrasion and temperature, etc. | Seat belt for automobile                                                                                           | m                                   | 1.08   | 1.06   | 1.10   |
| Other products                |                                                                       |                                                                                                                    |                                     |        |        |        |
| Rubber tape                   | High elasticity, frictional resistance and good durability            | Medical disposable such as esmark bandage and tourniquet, rubber sheet for vacuum dust bag, swimwear and underwear | kg                                  | 16.0   | 15.3   | 17.7   |
| Metal component for furniture | Metal-made frames of furniture                                        | Sofa, chair and bed                                                                                                | set                                 | 100.8  | 83.7   | 72.4   |

During the Track Record Period, the increase in average selling price of (i) covered elastic yarn was mainly attributable to the sales of more products of higher price; (ii) narrow elastic fabrics was mainly due to the increased sales of products made by needle weaving process which have a higher unit price as compared to those made by knitting process; and (iii) furniture webbing was mainly because we sold less amount of lower priced products. The decrease in average selling price of metal components for furniture during the same period was mainly attributable to the increased sales of sofa frames and other smaller sized metal parts of a lower unit price in FY2016 and onwards.

### PRODUCTION FACILITIES AND CAPACITY

As at the Latest Practicable Date, we had three production facilities in Malaysia occupying an aggregate gross floor area of 195,227.0 sq.ft. and two production facilities in Vietnam occupying an aggregate gross floor area of 346,237 sq.ft. (excluding the production facility held by FCV (VN), our subsidiary prior to 14 September 2017). As at the Latest Practicable Date, our active workforce stood at 925 employees (excluding staff of FCV (VN), our subsidiary prior to 14 September 2017).

## SUMMARY

The utilisation rate of our production facilities for covered elastic yarn, narrow elastic fabric and seat belt webbing was 95.4%, 76.0% and 115.8% for 1Q2017, respectively. In view of the heavy utilisation and the anticipated increasing market demand, we plan to expand production capacity for these products, details of which are set out in “Business — Production — Expansion plan” beginning on page 141 of this prospectus.

### OUR CUSTOMERS

During the Track Record Period, we had over 600 customers including (i) branded goods manufacturers who use our products as raw materials or components for their end products; (ii) contractors of the manufacturers mentioned above; and (iii) traders who on-sell our products to their manufacturing customers.

For FY2015, FY2016 and 1Q2017, sales to our five largest customers amounted to RM29.3 million, RM31.1 million and RM9.6 million, representing 32.9%, 31.7% and 34.3% of our revenue, respectively. Sales to our largest customer were RM9.6 million, RM10.7 million and RM2.6 million, representing 10.8%, 10.9% and 9.4% of our revenue, respectively.

### PRICING STRATEGY

We generally do not enter into any long-term sales contracts and negotiate prices with our customers on an order-by-order basis. We normally adopt a cost-plus pricing strategy taking into consideration a range of factors, including but not limited to, raw material cost, production cost, order volume, intricacy of production process and transportation cost. As we offer a wide variety of products made from different raw materials under different specifications with various degree of customisation, there is a broad price range for our product portfolio. We managed to maintain the selling price of our elastic textile and webbing products at a relatively stable level in general during the Track Record Period. See “Business — Our Products”, “Business — Sales and Marketing — Our pricing strategy” and “Financial Information — Principal Income Statement Components — Revenue by product segments” beginning on page 128, page 149, page 215 of this prospectus, respectively, for details.

### OUR SUPPLIERS

During the Track Record Period, our major suppliers were producers of raw materials including rubber, yarn, polyester as well as chemicals used in the production process.

Save for certain raw materials used by seat belt webbing, we generally do not enter into contracts with price or quantity commitment or long-term purchase contracts. We agree the purchase terms, such as price and quantity, with suppliers on an order-by-order basis. Most of our principal raw materials demonstrated drop in price during the Track Record Period. See “Business — Raw Materials, Procurement and Our Suppliers — Raw materials and procurement” beginning on page 143 of this prospectus for details.

For FY2015, FY2016 and 1Q2017, purchases from our five largest suppliers were RM13.6 million, RM13.3 million and RM4.7 million, representing 36.6%, 34.6% and 38.9% of our total purchases, respectively. Purchases from our largest supplier were RM4.7 million, RM4.3 million and RM1.3 million, representing 12.7%, 11.3% and 10.3% of our total purchases, respectively.

## SUMMARY

### OUR COMPETITIVE STRENGTHS

Our Directors believe that our success and market position in Malaysia and Vietnam are derived from our following competitive strengths:

- We are a long established elastic textile and webbing manufacturer in Malaysia and Vietnam that serves customers of different operation scale. Our sizeable production volume also enables us to achieve economies of scale by centralising raw material purchases and enhancing effectiveness of fixed overheads.
- We offer a wide range of products to customers in different industries and countries.
- We customised our products to satisfy our customers' changing specifications in, among other things, colour, width, style, elasticity or tensile strength. Our know-how in customisation was gained from our long operating history and industry experience.
- We provide high and consistent quality products through the adoption of stringent quality control measures that enables us to develop close and long-term business relationships with our customers.
- We have long-standing relationships with our major customers.
- We possess an experienced management team with in-depth industry knowledge and experience who contributed to our success and will direct the course of our future expansion.

For details, see “Business — Competitive Strengths” beginning on page 117 of this prospectus.

### OUR BUSINESS STRATEGIES

Our goal is to maintain our market position in the industry in Malaysia and Vietnam and further expand our business by implementing the following strategies:

#### **Expand our production capacity**

In view of the heavy utilisation of our production facilities for narrow elastic fabric, covered elastic yarn and seat belt webbing as well as the growing demand for these products, we intend to invest HK\$32.4 million to expand the production capacity for these products by constructing a new factory in Vietnam and acquiring new machines.

#### **Move into new product applications and market**

We plan to explore the business potential of our existing products by expanding the application of narrow elastic fabric to sportswear and tapping into the South Korean market for our seat belt webbing.

#### **Enhance our quality control system**

To uphold our market position, we shall continue to enhance our quality control system by increasing headcount and improving the training program for our quality control department.

## SUMMARY

### Improve our information technology systems

In view of our expanding operation scale, we intend to invest HK\$2.0 million to upgrade our ERP system to improve the operation and management control and efficiency.

For details, see “Business — Our Business Strategies” beginning on page 121 of this prospectus.

### INDUSTRY OUTLOOK

Set out below is the growth in demand for our principal products from 2011–2021:

| Principal products    | CAGR for Demand           |                     |        |                         |                     |        |
|-----------------------|---------------------------|---------------------|--------|-------------------------|---------------------|--------|
|                       | 2011–2016<br>(Historical) |                     |        | 2016–2021<br>(Forecast) |                     |        |
|                       | Malaysia                  | Vietnam             | Global | Malaysia                | Vietnam             | Global |
| Covered elastic yarn  | 15.0%                     | 15.4%               | 8.1%   | 12.4%                   | 14.7%               | 8.4%   |
| Narrow elastic fabric | — <sup>(Note)</sup>       | 15.6%               | 6.2%   | — <sup>(Note)</sup>     | 15.8%               | 6.3%   |
| Furniture webbing     | 10.9%                     | 9.0%                | 9.4%   | 11.3%                   | 9.8%                | 10.1%  |
| Seat belt webbing     | 5.0%                      | — <sup>(Note)</sup> | 5.6%   | 5.0%                    | — <sup>(Note)</sup> | 5.1%   |

*Note:* Data is not presented as we did not manufacture the respective products in these countries.

*Source:* Frost & Sullivan

The global demand for our principal products from 2016 to 2021 is expected to maintain the growth momentum as from 2011 to 2016. Furthermore, the increasing number of downstream product manufacturers setting up production facilities in Vietnam will continue to drive the demand for most of our principal products in this country to grow at CAGRs of 9.8% or more for the same period. Our Directors anticipate that the continual growth in global demand and industrial development in Vietnam will be the major drivers for our business development in the future.

For further details on industry outlook, see “Industry Overview” in this prospectus.

### COMPETITIVE LANDSCAPE

The elastic textile and webbing industries are relatively concentrated in Malaysia and Vietnam. The degree of concentration of our principal products in FY2016 are set out below:

|                       | Concentration — Malaysia <sup>(Note 1)</sup> |                       | Concentration — Vietnam <sup>(Note 1)</sup> |                       |
|-----------------------|----------------------------------------------|-----------------------|---------------------------------------------|-----------------------|
|                       | Top Three<br>Manufacturers                   | Our Group             | Top Three<br>Manufacturers                  | Our Group             |
| Covered elastic yarn  | 51.3%                                        | 31.8%                 | 45.5%                                       | 24.2%                 |
| Narrow elastic fabric | — <sup>(Note 2)</sup>                        | — <sup>(Note 2)</sup> | 50.7%                                       | 20.4%                 |
| Furniture webbing     | 91.2%                                        | 54.4%                 | 64.6%                                       | 44.4%                 |
| Seat belt webbing     | 95.6%                                        | 84.3%                 | — <sup>(Note 2)</sup>                       | — <sup>(Note 2)</sup> |

*Notes:*

1. Concentration in percentage is calculated by dividing the production value of the top three manufacturers or our Group by the production value of all manufacturers for each product in the respective countries.

## SUMMARY

2. Data is not presented as we did not manufacture the respective products in these countries.

*Source: Frost & Sullivan*

Many manufacturers compete on product quality and price. For those with larger operation scale like our Group, we compete more on product and service quality, capability in producing customised products, flexibility in fulfilling various order size, extensive product variety as well as timely delivery.

For further details on the competitive landscape of the industries in which we operate in, see “Industry Overview” in this prospectus.

### OUR CONTROLLING SHAREHOLDER

Immediately following completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), PRG Holdings will directly hold 75.0% interest in our Company, hence entitled to exercise 30.0% or more of the voting power at general meetings of our Company and is therefore regarded as our Controlling Shareholder.

PRG Holdings is an investment holding company listed on the Second Board of Bursa Malaysia on 16 October 2003 and listed on the Main Market of Bursa Malaysia with effect from 3 August 2009 (stock code: 7168 and stock name: PRG) pursuant to the merger of the Main Board and Second Board of the Bursa Malaysia into the Main Market of Bursa Malaysia. Until FY2013, PRG Holdings was principally engaged in the manufacturing of elastic textile and webbing products. Since FY2014, PRG Holdings has also been engaged in property development and construction business in Malaysia.

Upon Listing, our Group will be principally engaged in the manufacturing of elastic textile and webbing products in Malaysia and Vietnam. In contrast, the Parent Group (excluding our Group) will be principally engaged in property development and construction business in Malaysia. Our principal businesses are thus highly distinct from those carried out by the Parent Group and we do not compete with the Parent Group not only by virtue of the primary difference in nature of our respective principal businesses and the discrete industries that we respectively operate in, but also in terms of our respective requirements for resources and management expertise.

For further details of PRG Holdings, see “Relationship with Our Controlling Shareholder” beginning on page 192 of this prospectus.

## SUMMARY

### SUMMARY FINANCIAL INFORMATION

#### Highlight of our combined statements of profit or loss and other comprehensive income

|                                                                | Year ended 31 December |                |             | Three months ended 31 March   |                |             |
|----------------------------------------------------------------|------------------------|----------------|-------------|-------------------------------|----------------|-------------|
|                                                                | 2015<br>RM'000         | 2016<br>RM'000 | Change<br>% | 2016<br>RM'000<br>(Unaudited) | 2017<br>RM'000 | Change<br>% |
| Revenue                                                        | 89,034                 | 97,937         | 10.0        | 22,283                        | 27,935         | 25.1        |
| Gross profit                                                   | 20,921                 | 26,863         | 28.7        | 4,945                         | 8,305          | 69.4        |
| Profit for the year/period                                     | 5,376                  | 6,668          | 24.1        | 526                           | 1,118          | 120.0       |
| Listing expenses                                               | –                      | (2,404)        | N/A         | –                             | (2,054)        | N/A         |
| Profit for the year/period (excluding Listing expenses) (Note) | 5,376                  | 9,072          | 68.5        | 526                           | 3,172          | 540.0       |

*Note:* It is a non-IFRS measure, which is calculated by adding Listing expenses to the profit for the year/period. Profit for the year/period (excluding Listing expenses) is presented because our management believes such information will be helpful for investors in assessing the effect of Listing expenses on our net profit. However, when assessing our operating and financial performance, you should not view such information in isolation or as a substitute for our profit for the year/period or any other operating performance measure that is calculated in accordance with IFRS.

During the Track Record Period, our increase in revenue was mainly due to, to a larger extent, increase in the sales volume of our elastic textile and webbing products and, to a lesser extent, sales of high specification products which commanded higher selling price. The percentage growth of our gross profit was greater than our revenue as we managed to maintain the selling price of our elastic textile and webbing products at a relatively stable level in general, despite a general drop in price for most of our major raw materials in the range from 3.9% to 11.8% in FY2016 which continued in 1Q2017. We incurred Listing expenses of RM2.4 million and RM2.1 million in FY2016 and 1Q2017, respectively. Our operating overheads remained relatively stable in spite of our growth in revenue which led to our high growth in net profit (excluding Listing expenses).

#### Revenue and gross profit margin

Set out in this paragraph are the analysis of our revenue and gross profit margin by product segments, customer groups and geographical regions.

#### By product segments

|                                  | Revenue for the year ended 31 December |              |                |              | Revenue for the three months ended 31 March |              |                |              |
|----------------------------------|----------------------------------------|--------------|----------------|--------------|---------------------------------------------|--------------|----------------|--------------|
|                                  | 2015<br>RM'000                         | %            | 2016<br>RM'000 | %            | 2016<br>RM'000<br>(Unaudited)               | %            | 2017<br>RM'000 | %            |
| Elastic textile                  | 46,230                                 | 52.0         | 53,290         | 54.4         | 11,845                                      | 53.2         | 14,035         | 50.2         |
| Webbing                          | 29,335                                 | 32.9         | 32,028         | 32.7         | 7,462                                       | 33.5         | 10,384         | 37.2         |
| Other products <sup>(Note)</sup> | 13,469                                 | 15.1         | 12,619         | 12.9         | 2,976                                       | 13.3         | 3,516          | 12.6         |
| <b>Total</b>                     | <b>89,034</b>                          | <b>100.0</b> | <b>97,937</b>  | <b>100.0</b> | <b>22,283</b>                               | <b>100.0</b> | <b>27,935</b>  | <b>100.0</b> |

*Note:* During the Track Record Period, other products comprised rubber tapes and metal components for furniture.



## SUMMARY

|                                  | Year ended 31 December |                     |              |                     | Three months ended 31 March |                     |              |                     |
|----------------------------------|------------------------|---------------------|--------------|---------------------|-----------------------------|---------------------|--------------|---------------------|
|                                  | 2015                   |                     | 2016         |                     | 2016                        |                     | 2017         |                     |
|                                  | Gross Profit           | Gross Profit Margin | Gross Profit | Gross Profit Margin | Gross Profit                | Gross Profit Margin | Gross Profit | Gross Profit Margin |
|                                  | RM'000                 | %                   | RM'000       | %                   | RM'000                      | %                   | RM'000       | %                   |
| Elastic textile                  |                        |                     |              |                     |                             |                     |              |                     |
| — Covered elastic yarn           | 9,517                  | 37.0                | 10,781       | 39.4                | 2,294                       | 37.6                | 2,852        | 43.3                |
| — Narrow elastic fabric          | 3,527                  | 17.2                | 4,856        | 18.7                | 511                         | 8.9                 | 1,757        | 23.6                |
|                                  | 13,044                 | 28.1                | 15,637       | 29.3                | 2,805                       | 23.7                | 4,609        | 32.8                |
| Webbing                          |                        |                     |              |                     |                             |                     |              |                     |
| — Furniture webbing              | 3,423                  | 18.0                | 4,800        | 25.8                | 876                         | 19.5                | 1,417        | 20.4                |
| — Seat belt webbing              | 2,856                  | 27.7                | 4,845        | 36.1                | 942                         | 31.7                | 1,583        | 46.3                |
|                                  | 6,279                  | 21.5                | 9,645        | 30.0                | 1,818                       | 24.4                | 3,000        | 28.9                |
| Other products                   |                        |                     |              |                     |                             |                     |              |                     |
| — Rubber tape                    | 1,832                  | 21.7                | 1,691        | 25.3                | 438                         | 24.6                | 748          | 31.7                |
| — Metal components for furniture | (234)                  | (4.7)               | (110)        | (1.9)               | (116)                       | (9.7)               | (52)         | (4.6)               |
|                                  | 1,598                  | 11.9                | 1,581        | 12.7                | 322                         | 10.8                | 696          | 19.8                |
|                                  | 20,921                 | 23.5                | 26,863       | 27.5                | 4,945                       | 22.2                | 8,305        | 29.7                |

During the Track Record Period, the increase in gross profit margin of (i) elastic textile was mainly because our selling price remained stable in general while more products with higher specification were sold; (ii) webbing was mainly attributable to the change in sales mix that increased the average selling price of furniture webbing coupled with the drop in raw materials price in the range of 5.3% to 11.8%; and (iii) other products was mainly due to the reduction in raw material wastage in FY2016 and pick up on sales to a customer in the United States who procured our higher priced rubber tapes for medical disposable products in 1Q2017. Please see “Financial Information — Principal Income Statement Components — Gross profit and gross profit margin” for further details on gross profit and gross profit margin of each of the product segments.

### *By customer groups*

|                             | Revenue for the year ended 31 December |       |        |       | Revenue for the three months ended 31 March |       |        |       |
|-----------------------------|----------------------------------------|-------|--------|-------|---------------------------------------------|-------|--------|-------|
|                             | 2015                                   |       | 2016   |       | 2016                                        |       | 2017   |       |
|                             | RM'000                                 | %     | RM'000 | %     | RM'000                                      | %     | RM'000 | %     |
|                             |                                        |       |        |       | (Unaudited)                                 |       |        |       |
| Manufactures                | 73,179                                 | 82.2  | 79,976 | 81.7  | 18,136                                      | 81.4  | 22,352 | 80.0  |
| Contractors of manufactures | 8,694                                  | 9.8   | 11,042 | 11.3  | 2,527                                       | 11.3  | 3,757  | 13.5  |
| Traders                     | 7,161                                  | 8.0   | 6,919  | 7.0   | 1,620                                       | 7.3   | 1,826  | 6.5   |
|                             | 89,034                                 | 100.0 | 97,937 | 100.0 | 22,283                                      | 100.0 | 27,935 | 100.0 |

During the Track Record Period, weighing of revenue attributable to manufacturers and traders dropped while weighing of contractors of manufactures increased mainly because of the increased sales of narrow elastic fabrics to contractors of manufactures in Vietnam.

We adopted the same pricing policy for all our customer groups. To the best knowledge of our Directors, (i) the products procured by manufacturers and contractors are in general more customised while those supplied to traders are more generic and therefore the gross profit margins for sales to

## SUMMARY

manufacturers and contractors are in general similar but could be up to 15% higher than those for traders; and (ii) gross profit margins varied among different customers and products and across different periods.

### *By geographical regions*

|                                  | Revenue for the year ended 31 December |              |               |              | Revenue for the three months ended 31 March |              |               |              |
|----------------------------------|----------------------------------------|--------------|---------------|--------------|---------------------------------------------|--------------|---------------|--------------|
|                                  | 2015                                   |              | 2016          |              | 2016                                        |              | 2017          |              |
|                                  | RM'000                                 | %            | RM'000        | %            | RM'000<br>(Unaudited)                       | %            | RM'000        | %            |
| <b>Domestic</b>                  |                                        |              |               |              |                                             |              |               |              |
| Malaysia                         | 11,693                                 | 13.1         | 9,751         | 10.0         | 2,640                                       | 11.8         | 1,965         | 7.0          |
| Vietnam                          | 27,568                                 | 31.0         | 35,413        | 36.1         | 7,630                                       | 34.2         | 11,098        | 39.8         |
|                                  | 39,261                                 | 44.1         | 45,164        | 46.1         | 10,270                                      | 46.0         | 13,063        | 46.8         |
| <b>Export</b>                    |                                        |              |               |              |                                             |              |               |              |
| Asia Pacific <sup>(Note 1)</sup> | 21,275                                 | 23.9         | 27,077        | 27.7         | 4,943                                       | 22.2         | 8,164         | 29.2         |
| Europe <sup>(Note 2)</sup>       | 11,918                                 | 13.4         | 13,290        | 13.6         | 3,336                                       | 15.0         | 3,301         | 11.8         |
| North America                    | 14,804                                 | 16.6         | 11,556        | 11.8         | 3,402                                       | 15.3         | 3,124         | 11.2         |
| Others                           | 1,776                                  | 2.0          | 850           | 0.8          | 332                                         | 1.5          | 283           | 1.0          |
|                                  | 49,773                                 | 55.9         | 52,773        | 53.9         | 12,013                                      | 54.0         | 14,872        | 53.2         |
| <b>Total</b>                     | <b>89,034</b>                          | <b>100.0</b> | <b>97,937</b> | <b>100.0</b> | <b>22,283</b>                               | <b>100.0</b> | <b>27,935</b> | <b>100.0</b> |

#### *Notes:*

1. Including Australia, Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Japan, Korea, New Zealand, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan and Thailand.
2. Including Belgium, France, Germany, Italy, Netherlands, Poland, Portugal, Romania, Spain, Sweden and the United Kingdom.

We adopted the same pricing policy for all our customers, regardless of their geographical regions. To the best knowledge of our Directors, there was no consistent variance in gross profit margins for sales to different regions during the Track Record Period because of our broad customer base and product mix. However, our Directors consider that the gross profit margins for sales in Vietnam during the Track Record Period were in general higher than these in other countries, in particular for covered elastic yarn which recorded a price difference in the range from 30% to 90%, mainly because we sold large volume of high specification products to certain manufacturing customers in Vietnam which was our largest market during the same period.

### **Highlight of our combined statements of financial position**

|                         | As at 31 December |        | As at    |
|-------------------------|-------------------|--------|----------|
|                         | 2015              | 2016   | 31 March |
|                         | RM'000            | RM'000 | RM'000   |
| Non-current assets      | 49,167            | 50,027 | 50,153   |
| Current assets          | 63,642            | 71,282 | 70,862   |
| Non-current liabilities | 11,941            | 11,792 | 11,624   |
| Current liabilities     | 29,585            | 33,500 | 40,657   |
| Net current assets      | 34,057            | 37,782 | 30,205   |
| Total equity            | 71,283            | 76,017 | 68,734   |

## SUMMARY

Our net current asset and net asset amount had decreased as at 31 March 2017 mainly due to dividends of RM8.5 million declared and paid in the period.

### Highlight of our combined statements of cash flows

|                                                          | Year ended 31 December |         |
|----------------------------------------------------------|------------------------|---------|
|                                                          | 2015                   | 2016    |
|                                                          | RM'000                 | RM'000  |
| Operating cash flows before movements in working capital | 12,039                 | 12,332  |
| Net cash generated from operating activities             | 12,549                 | 11,779  |
| Net cash generated from/(used in) investing activities   | 4,354                  | (7,867) |
| Net cash used in financing activities                    | (12,629)               | (5,791) |

The movements in net cash generated from/(used in) investing activities and net cash used in financing activities in FY2015 and FY2016 were mainly attributable to the advances and repayments of sums to the Parent Group. As at 31 March 2017, there was a net receivable of RM6.5 million from the Parent Group in aggregate which was settled before Listing.

### Key financial ratios

|                                                    | Year ended/<br>As at 31 December |       | Three<br>months<br>ended/<br>As at<br>31 March |
|----------------------------------------------------|----------------------------------|-------|------------------------------------------------|
|                                                    | 2015                             | 2016  | 2017                                           |
| Gross profit margin                                | 23.5%                            | 27.5% | 29.7%                                          |
| Net profit margin — Adjusted <i>(Note 1)</i>       | 6.1%                             | 9.3%  | 11.5%                                          |
| Current ratio                                      | 2.2                              | 2.1   | 1.7                                            |
| Interest coverage ratio — Adjusted <i>(Note 1)</i> | 7.4                              | 10.0  | 14.9                                           |
| Gearing ratio                                      | 16.6%                            | 16.4% | 17.5%                                          |
| Return on assets — Adjusted <i>(Notes 1 and 2)</i> | 4.8%                             | 8.1%  | 11.1%                                          |
| Return on equity — Adjusted <i>(Notes 1 and 3)</i> | 8.1%                             | 12.8% | 19.9%                                          |

#### Notes:

1. Taking out the effect of the non-recurring Listing expenses of RM2.4 million and RM2.1 million incurred in FY2016 and 1Q2017, respectively.
2. Deducted the net receivables from the Parent Group of RM1.8 million, RM9.0 million and RM6.5 million as at 31 December 2015 and 2016, and 31 March 2017, respectively from total assets.
3. Deducted dividend of RM5.0 million declared on 14 September 2017 from total equity. The dividend was settled before Listing.

See “Financial Information” beginning on page 203 of this prospectus for further discussion and analysis of our financial information.

## SUMMARY

### RECENT DEVELOPMENT

Our business model has remained unchanged and our revenue and cost structure has remained stable since 31 March 2017. Our sales volume for covered elastic yarn, narrow elastic fabric, furniture webbing and seat belt webbing for the six months ended 30 June 2017 (“**1H2017**”) increased by 23.7%, 3.3%, 28.2% and 27.7%, respectively, as compared to the same period in the preceding year (“**1H2016**”). The increase in sales volume, together with the increase in average selling prices of the above products in 1H2017, contributed to the increase in our gross profit and gross profit margin in 1H2017 versus 1H2016. To the best knowledge of our Directors, (i) such increase was mainly driven by the continuous growth in economy and the business of our downstream manufacturing customers; and (ii) the amount of our Group’s confirmed sales orders during the period from 1 April 2017 to the Latest Practicable Date was in the sum of RM65.4 million.

We are undergoing discussions with prospective customers for expanding the application of our narrow elastic fabric to sportswear. Furthermore, qualification and testing process for our seat belt webbing products has been underway for a major automobile safety belt manufacturer in South Korea. The foregoing business strategies, if materialised, will start contributing revenue in FY2018. For details, see “Statement of Business Objectives and Use of Proceeds — Implementation Plans” beginning on page 260 of this prospectus.

On 26 July 2017, we entered into an agreement with, among others, an investor (an Independent Third Party) in relation to the disposal of certain of our equity interest in FCV (VN), which engages in the manufacture and sale of metal component for furniture, to such investor and such investor also agreed to contribute to an increase in the registered charter capital of FCV (VN) (the “**Transaction**”). Upon completion of the Transaction on 14 September 2017, FCV (VN) became an associate of our Company and its financial results ceased to be consolidated into our Group. Although the revenue and costs of sales of our Group will be reduced with the financial results of FCV (VN) no longer consolidated to those of our Group’s, our Directors anticipate that there will be a gain from such disposal and our net profit and net profit margin will be enhanced by this factor alone as FCV (VN) made a loss during the Track Record Period. Details and benefits of the Transaction are set out in “History, Reorganisation and Corporate Structure — Significant Shareholding Changes in Members of our Group during the Track Record Period and up to the Latest Practicable Date — FCV (VN)” in this prospectus.

We shall incur administrative expenses after the Listing for regulatory compliance, such as professional fees and financial reporting costs. After taking into account the additional administrative expenses, our Directors anticipate that our net profit margin (before Listing expenses) for FY2017 will drop against the amount for FY2016. For the associated risk factor, see “Risk Factors — Risks Relating to our Business and Industry — Our historical results may not be reflective of our future performance and we may not be able to maintain similar rates of growth in the future.” on page 37 of this prospectus.

Save as disclosed in this paragraph and in “Listing Expenses” in this section, our Directors confirm that, since 31 March 2017 and up to the date of this prospectus, there had not been any material adverse change in the market conditions or the industry and environment in which we operate that had materially and adversely affected our financial or operating position.

## SUMMARY

### LISTING EXPENSES

The total expenses for the Listing are estimated to be RM14.9 million (equivalent to HK\$27.4 million) (assuming that the Offer Size Adjustment Option is not exercised), of which approximately (i) RM4.4 million (equivalent to HK\$8.1 million) is directly attributable to the issue of the Offer Shares and to be accounted for as a deduction from equity upon Listing; and (ii) RM10.5 million (equivalent to HK\$19.3 million) was/will be charged as expenses to our combined statements of profit or loss, of which RM2.4 million (equivalent to HK\$4.4 million) and RM2.1 million (equivalent to HK\$3.9 million) was charged for FY2016 and 1Q2017, respectively, and the balance of RM6.0 million (equivalent to HK\$11.0 million) is expected to be charged for FY2017. The actual amounts to be recognised in the consolidated statement of profit or loss of our Group or to be capitalised are subject to adjustments based on audit and the then changes in variables and assumptions. **Prospective investors should note that our financial results for FY2017 will be adversely affected by the non-recurring Listing expenses described above, and may not be comparable to the financial performance of our Group in the past.**

### REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

We are wholly owned by PRG Holdings prior to the Share Offer. PRG Holdings is principally engaged in property development, construction and the business of our Group. As the nature and operations of our business are entirely different from those of the other business of PRG Holdings, our Directors considered a standalone fund raising platform for our Group necessary which can (i) align the interests of investors who may be more vested in our manufacturing business; (ii) delineate our management and operating functions from other business of PRG Holdings so that we can benefit from a more defined business focus; and (iii) open up new financing channels to obtain funds at terms that are more suitable to our needs and risk profiles.

We intend to expand our production facilities in order to capture the upcoming business opportunities for our elastic textile and webbing products. Our Directors consider financing our expansion plans, which include increase of production capacity and upgrade of ERP system, that require capital expenditure in the sum of RM19.7 million (equivalent to HK\$34.4 million) by bank borrowings inappropriate after taking into consideration the nature of our existing bank facilities which are substantially restricted to trade finance purpose and the resultant significant rise in finance cost and gearing level should we increase our bank borrowing. Accordingly, our Directors decided to finance our expansion plans by the Share Offer.

Our Directors have evaluated various avenues for Listing and decided that Hong Kong is the most suitable venue for our Group because (i) Hong Kong is an international financial centre and listing on the Stock Exchange will enhance our profile and exposure to international financial community for the furtherance of our global market presence; (ii) PRG Holdings has been listed on Bursa Malaysia since 2003 and the Listing on the Stock Exchange will further broaden the bases and profiles of our Shareholders; (iii) a significant portion of the capital expenditures in respect of our expansion plans as set out in “Statement of Business Objectives and Use of Proceeds” in this prospectus, which will be funded by the net proceeds from the Share Offer, as well as those of any further expansion plans that may be pursued by our Group in Vietnam in the future, will/are expected to be mainly settled in USD and therefore raising funds in HK\$, which is pegged to the USD, through listing on GEM may reduce the relevant currency risk; and (iv) as advised by our Malaysian Legal Advisers, direct offshore investment by our Company and/or our non-Malaysian incorporated subsidiaries is not subject to the restriction to limit any Malaysian resident entity’s offshore investment to RM50 million in aggregate per calendar year in accordance with the relevant foreign exchange control policies in Malaysia, details of

## SUMMARY

which are set out in “Regulatory Overview — Malaysian Regulatory Overview — D. Foreign Exchange Control” in this prospectus, that serve to monitor capital inflows and outflows into and out of the country which may subject our further expansion plans in Vietnam in the future to some uncertainty.

The net proceeds from the Share Offer, after deducting related expenses, are estimated to be HK\$35.6 million. We intend that the net proceeds will be applied as follows:

|                                                                  | From the<br>Latest<br>Practicable<br>Date to<br>31 December<br>2017<br>(HK\$ million) | 30 June<br>2018<br>(HK\$ million) | For the six months ending             |                                   | 31 December<br>2019<br>(HK\$ million) | Total<br>(HK\$ million) | Approximate<br>% of the<br>total net<br>proceeds |
|------------------------------------------------------------------|---------------------------------------------------------------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|---------------------------------------|-------------------------|--------------------------------------------------|
|                                                                  |                                                                                       |                                   | 31 December<br>2018<br>(HK\$ million) | 30 June<br>2019<br>(HK\$ million) |                                       |                         |                                                  |
| Expand our production capacity                                   | 1.1                                                                                   | 6.4                               | 15.5                                  | 7.6                               | 1.8                                   | 32.4                    | 91.0                                             |
| Upgrade our information technology<br>systems                    | —                                                                                     | 0.5                               | 0.5                                   | 1.0                               | —                                     | 2.0                     | 5.6                                              |
| Funding of our working capital and<br>general corporate purposes | 1.2                                                                                   | —                                 | —                                     | —                                 | —                                     | 1.2                     | 3.4                                              |
|                                                                  | 2.3                                                                                   | 6.9                               | 16.0                                  | 8.6                               | 1.8                                   | 35.6                    | 100.0                                            |

## OFFER STATISTICS

**Based on the Offer  
Price of HK\$0.5  
per Offer Share**

Market capitalisation of our Shares <sup>(Note 1)</sup>

HK\$252.0 million

Unaudited pro forma adjusted combined net tangible  
assets of our Group per Share <sup>(Note 2)</sup>

HK\$0.33

Notes:

1. The calculation of the market capitalisation of our Shares is based on 504,000,000 Shares in issue immediately after completion of the Share Offer but does not take into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.
2. The unaudited pro forma adjusted combined net tangible assets of our Group per Share has been prepared with reference to certain estimation and adjustment. See Appendix II to this prospectus for further details.

## SUMMARY

### DIVIDEND

Under the Companies Law and our Articles, dividends may be paid out of the profits of our Company, or subject to solvency of our Company, out of sums standing to the credit of our share premium account. However, no dividend shall exceed the amount recommended by our Directors. During the Track Record Period, dividends in the amount of RM1.5 million, RM10.5 million and RM8.5 million had been declared by certain subsidiaries of our Company to PRG Holdings in FY2015, FY2016 and 1Q2017, respectively. On 14 September 2017, FIPB declared dividend of RM5.0 million to PRG Holdings which was settled by our internal resources before the Listing.

We currently do not have a formal dividend policy or a specific dividend distribution ratio. The declaration, payment and the amount of dividends are dependent on the results of operations, cash flows, financial condition, future prospects and other factors that our Directors may consider relevant. Shareholders will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. There can be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

### HIGHLIGHTS OF RISK FACTORS

Our business is subject to a number of risks and you should read the entire “Risk Factors” carefully before you decide to invest in the Offer Shares. Some of the major risks we face include (i) our business, results of operations and financial conditions could be adversely affected by the global economic downturn and adverse market and macroeconomic conditions, especially if there is a downturn in our downstream industries; (ii) our business is concentrated in Malaysia and Vietnam and is highly susceptible to any adverse economic or social conditions in these domestic markets which would materially and adversely affect the demand for our products; (iii) we have not entered into long-term agreements with our customers and cannot assure our sales volumes will remain consistent whilst a significant decrease in orders from any of them could adversely affect our business, results of operations and financial condition; (iv) our production and procurement plans are determined based on the purchase estimates provided by our customers as well as our projections of future demand for our products and thus any material shortfall in our actual sales volume could materially and adversely affect our business and financial conditions; (v) our results of operations are subject to the seasonality of our customers’ business, and comparison of our operating results between quarterly and interim results may not be meaningful; and (vi) our historical results may not be reflective of our future performance and we may not be able to maintain similar rates of growth in the future.

For details, see “Risk Factors” beginning on page 27 of this prospectus.



## SUMMARY

### NON-COMPLIANCE

Working overtime beyond the maximum overtime working hours (as stipulated in the relevant laws and regulations) by our production workers in Malaysia and Vietnam are not permitted under the laws of Malaysia and Vietnam, respectively, unless with the prior approval of the relevant government authority. During the Track Record Period, some of our production workers had been working beyond the maximum overtime working hours without obtaining prior approval from the relevant government authorities due to the shortage of our production workers at times, in particular, during the long vacations, public holidays and seasonal surge in demand for our products. Our production workers in Malaysia and Vietnam had been duly paid for their overtime work. Having considered the opinions of our Malaysian Legal Advisers and Vietnamese Legal Advisers, our Directors are of the view that these non-compliance incidents did not and will not result in any material adverse effect on our business, results of operations and financial position. For details, see “Business — Legal Compliance — Non-Compliance” beginning on page 172 of this prospectus.

### EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain (i) RM and VND amounts into Hong Kong dollars, or vice versa; and (ii) VND amounts into RM, or vice versa, at a specified rate. Unless we indicate otherwise, the translations of (a) RM into Hong Kong dollars and vice versa have been made at the rate of RM1.00 to HK\$1.84; (b) VND into Hong Kong dollars and vice versa have been made at the rate of VND1,000 to HK\$0.34; and (c) VND into RM and vice versa have been made at the rate of VND1,000 to RM0.19 in this prospectus. The exchange rates adopted represent the average daily exchange rates for the 30 days immediately preceding the Latest Practicable Date. No representation is made that any amount in RM, VND or Hong Kong dollars can be or could be, or have been, converted at the above rate or any other rate or at all.

## DEFINITIONS

*In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings:*

|                                                   |                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “1Q2016”                                          | the three months ended 31 March 2016                                                                                                                                                                                                                                                                                                                                                            |
| “1Q2017”                                          | the three months ended 31 March 2017                                                                                                                                                                                                                                                                                                                                                            |
| “Accountant’s Report”                             | the accountant’s report on our Group for the Track Record Period set out in Appendix I to this prospectus                                                                                                                                                                                                                                                                                       |
| “Application Form(s)”                             | <b>WHITE</b> Application Form(s) and <b>YELLOW</b> Application Form(s), or where the context so requires, any of them that are used in connection with the Public Offer                                                                                                                                                                                                                         |
| “Articles” or “Articles of Association”           | the amended and restated articles of association of our Company conditionally adopted and took effect on 20 September 2017, as amended, supplemented or otherwise modified from time to time                                                                                                                                                                                                    |
| “Board” or “Board of Directors”                   | the board of directors of our Company                                                                                                                                                                                                                                                                                                                                                           |
| “Bursa Malaysia”                                  | Bursa Malaysia Securities Berhad                                                                                                                                                                                                                                                                                                                                                                |
| “business day” or “Business Day”                  | any day (other than a Saturday, Sunday or public holiday or a day which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted) on which licensed banks in Hong Kong are generally open for normal banking business throughout their normal business hours                                                                                             |
| “BVI”                                             | the British Virgin Islands                                                                                                                                                                                                                                                                                                                                                                      |
| “BVI Companies Act”                               | the BVI Business Companies Act, 2004, as amended, supplemented or otherwise modified from time to time                                                                                                                                                                                                                                                                                          |
| “Capitalisation Issue”                            | the issue of 358,000,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in “Statutory and General Information — Further Information about our Company and Other Members of our Group — 3. Resolutions in writing of the sole Shareholder passed on 20 September 2017” in Appendix V to this prospectus |
| “Cayman Islands Companies Law” or “Companies Law” | the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time                                                                                                                                                                                                                                 |
| “CCASS”                                           | the Central Clearing and Settlement System established and operated by HKSCC                                                                                                                                                                                                                                                                                                                    |
| “CCASS Clearing Participant”                      | a person admitted to participate in CCASS as a direct clearing participant or general clearing participant                                                                                                                                                                                                                                                                                      |

## DEFINITIONS

|                                                                 |                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “CCASS Custodian Participant”                                   | a person admitted to participate in CCASS as a custodian participant                                                                                                                                                                                                                                                                                                     |
| “CCASS Investor Participant”                                    | a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation                                                                                                                                                                                                                                      |
| “CCASS Operational Procedures”                                  | the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force                                                                                                                                                          |
| “CCASS Participant”                                             | a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant                                                                                                                                                                                                                                                                              |
| “Companies Ordinance”                                           | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time                                                                                                                                                                                                                                         |
| “Companies (Winding Up and Miscellaneous Provisions) Ordinance” | the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time                                                                                                                                                                                                |
| “Company” or “our Company”                                      | Furniweb Holdings Limited (飛霓控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 3 March 2017                                                                                                                                                                                                                                      |
| “Controlling Shareholder”                                       | has the meaning ascribed to it under the GEM Listing Rules and, in the context of this prospectus, refers to PRG Holdings                                                                                                                                                                                                                                                |
| “Deed of Indemnity”                                             | the deed of indemnity dated 28 September 2017 entered into by our Controlling Shareholder in favour of our Company (for itself and as trustee for each member of our Group) to provide certain indemnities, particulars of which are set out in “Statutory and General Information — Other Information — 16. Tax and other indemnities” in Appendix V to this prospectus |
| “Deed of Non-Competition”                                       | the deed of non-competition dated 28 September 2017 entered into by our Controlling Shareholder in favour of our Company (for itself and as trustee for each member of our Group), particulars of which are set out in “Relationship with our Controlling Shareholder — Competition — Undertakings given by our Controlling Shareholder” in this prospectus              |
| “Directors” or “our directors”                                  | the directors of our Company as at the date of this prospectus                                                                                                                                                                                                                                                                                                           |

## DEFINITIONS

|                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “FCV (VN)”                      | Furnitech Components (Vietnam) Co., Ltd., a company incorporated in Vietnam with limited liability on 4 August 2004. Immediately prior to the FCV (VN) Shareholding Changes became effective on 14 September 2017, it was our non wholly-owned subsidiary (which engages in the manufacture and sale of metal component for furniture), in which we and the other shareholders, namely, Scoot Filoot Pty Ltd and Shann Australia Pty Ltd, had 82.00%, 12.00% and 6.00% equity interest, respectively. Immediately after the FCV (VN) Shareholding Changes became effective on 14 September 2017, it became our associate in which we and the other shareholders, namely Lubra Beteiligungsgesellschaft mbH, Scoot Filoot Pty Ltd and Shann Australia Pty Ltd have 45.06%, 45.06%, 6.61% and 3.27% equity interest, respectively |
| “FCV (VN) Shareholding Changes” | the changes in shareholdings of FCV (VN) set out in “History, Reorganisation and Corporate Structure — Significant Shareholding Changes in Members of our Group during the Track Record Period and up to the Latest Practicable Date — FCV (VN)” in this prospectus                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| “FIPB”                          | FIPB International Limited, a company incorporated in BVI with limited liability on 28 December 2016 and a wholly-owned subsidiary of our Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| “FMSB (MY)”                     | Furniweb Manufacturing Sdn. Bhd., a company incorporated in Malaysia with limited liability on 3 October 1987 and a wholly-owned subsidiary of our Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| “Frost & Sullivan”              | Frost & Sullivan International Limited, an independent market research institution                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| “Frost & Sullivan Report”       | an independent industry report prepared by Frost & Sullivan, an extract of which is set out in “Industry Overview” in this prospectus                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| “FSWSB (MY)”                    | Furniweb Safety Webbing Sdn. Bhd., a company incorporated in Malaysia with limited liability on 19 June 1996 and a wholly-owned subsidiary of our Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| “FVSC (VN)”                     | Furniweb (Vietnam) Shareholding Company, a joint stock company incorporated in Vietnam on 16 January 1997 and a wholly-owned subsidiary of our Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| “FY or “financial year”         | financial year of our Company ended or ending 31 December                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| “GEM”                           | the Growth Enterprise Market of the Stock Exchange                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| “GEM Listing Rules”             | Rules Governing the Listing of Securities on GEM, as amended, supplemented or modified from time to time                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

## DEFINITIONS

|                                           |                                                                                                                                                                                                                                                                                            |
|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Group”, “we”, “our”, “our Group” or “us” | our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time |
| “HK\$” or “Hong Kong dollar(s)”           | Hong Kong dollar, the lawful currency of Hong Kong.                                                                                                                                                                                                                                        |
| “HKSCC”                                   | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited                                                                                                                                                                       |
| “HKSCC Nominees”                          | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC                                                                                                                                                                                                                                 |
| “Hong Kong” or “HK”                       | the Hong Kong Special Administrative Region of the PRC                                                                                                                                                                                                                                     |
| “Hong Kong Branch Register”               | the branch register of members of our Shares maintained by the Hong Kong Branch Share Registrar in Hong Kong                                                                                                                                                                               |
| “Hong Kong Branch Share Registrar”        | Tricor Investor Services Limited                                                                                                                                                                                                                                                           |
| “IFRS”                                    | International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board                                                                                                                                        |
| “Independent Third Party(ies)”            | person(s) or company(ies) who or which, as far as our Directors are aware after having made all reasonable enquiries, is not or are not connected person(s) of our Company                                                                                                                 |
| “International Sanctions”                 | all applicable sanctions related laws and regulations including those administered and enforced by the United States, the European Union and its member states, the United Nations or Australia                                                                                            |
| “International Sanctions Legal Advisers”  | DLA Piper UK LLP, the legal advisers to our Company as to International Sanctions                                                                                                                                                                                                          |
| “Latest Practicable Date”                 | 19 September 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication                                                                                                                             |
| “Listing”                                 | the listing of the Shares on GEM                                                                                                                                                                                                                                                           |
| “Listing Date”                            | the date expected to be on or around 16 October 2017, on which the Shares are first listed and from which dealings in the Shares are permitted to take place on GEM                                                                                                                        |
| “Malaysian Legal Advisers”                | Peter Ling & van Geyzel, the Malaysian legal advisers to our Company as to Malaysian law                                                                                                                                                                                                   |

## DEFINITIONS

|                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Memorandum” or “Memorandum of Association” | the amended and restated memorandum of association of our Company adopted and took effect on 20 September 2017, as amended, supplemented or otherwise modified from time to time                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| “OFAC”                                      | The Office of Foreign Assets Control of the United States Department of Treasury                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| “Offer Price”                               | HK\$0.5 per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and issued pursuant to the Share Offer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| “Offer Share(s)”                            | collectively, the Placing Shares and Public Offer Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| “Offer Size Adjustment Option”              | the option granted by our Company to the Placing Underwriter, exercisable by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriter), pursuant to which our Company may be required by the Sole Global Coordinator to allot and issue up to 18,900,000 additional new Shares, representing up to 15% of the total number of Offer Shares initially available for subscription under the Share Offer, for cash at the Offer Price, solely to cover any over-allocation in the Placing at its sole and absolute discretion under the Placing Underwriting Agreement, details of which are set out in “Structure and Conditions of the Share Offer — Offer Size Adjustment Option” in this prospectus |
| “Parent Group”                              | PRG Holdings and its subsidiaries from time to time (excluding our Group)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| “PEWAV (VN)”                                | Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd., a company incorporated in Vietnam with limited liability on 23 January 2002 and a wholly-owned subsidiary of our Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| “PGSB”                                      | PRG Property Sdn. Bhd. (formerly known as Premier Gesture Sdn. Bhd. prior to 21 June 2017), a company incorporated in Malaysia on 13 October 2001 and a member of the Parent Group                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| “Placing”                                   | the conditional placing of the Placing Shares by the Placing Underwriter for and on behalf of our Company together with, where relevant, any additional Offer Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option for cash at the Offer Price subject to the terms and conditions as described in “Structure and Conditions of the Share Offer” in this prospectus                                                                                                                                                                                                                                                                                                                       |

## DEFINITIONS

|                                       |                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Placing Shares”                      | 113,400,000 new Shares initially offered by us for subscription at the Offer Price pursuant to the Placing, together with, where relevant, any additional new Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option, subject to the terms and conditions as described in “Structure and Conditions of the Share Offer” in this prospectus |
| “Placing Underwriter”                 | the underwriter that is expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares                                                                                                                                                                                                                                                          |
| “Placing Underwriting Agreement”      | the underwriting agreement expected to be entered into on or around 6 October 2017 by, among others, our Company, our Controlling Shareholder, our executive Directors, the Sole Sponsor, the Sole Global Coordinator and the Placing Underwriter relating to the Placing                                                                                                   |
| “PRC” or “China”                      | People’s Republic of China, excluding for the purposes of this prospectus only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan                                                                                                                                                                                             |
| “PRG Holdings”                        | PRG Holdings Berhad (formerly known as Furniweb Industrial Products Berhad and was changed to PRG Holdings Berhad with effect from 26 January 2015), a company incorporated in Malaysia on 13 March 2001 and whose shares are listed on the Main Market of Bursa Malaysia and our Controlling Shareholder                                                                   |
| “Public Offer”                        | the issue and offer of the Public Offer Shares for subscription in Hong Kong at the Offer Price on and subject to the terms and conditions described in this prospectus and the Application Forms                                                                                                                                                                           |
| “Public Offer Shares”                 | 12,600,000 new Shares (subject to reallocation) initially offered by our Company for subscription in the Public Offer, as described in “Structure and Conditions of the Share Offer” in this prospectus                                                                                                                                                                     |
| “Public Offer Underwriter”            | the underwriter of the Public Offer, whose name is set out in “Underwriting — Public Offer Underwriter” in this prospectus                                                                                                                                                                                                                                                  |
| “Public Offer Underwriting Agreement” | the underwriting agreement dated 28 September 2017 entered into among our Company, our Controlling Shareholder, our executive Directors, the Sole Sponsor, the Sole Global Coordinator and the Public Offer Underwriter relating to the Public Offer                                                                                                                        |
| “Regulation S”                        | Regulation S under the U.S. Securities Act                                                                                                                                                                                                                                                                                                                                  |
| “Reorganisation”                      | the reorganisation of our Group in preparation for the Listing, details of which are set out in “History, Reorganisation and Corporate Structure — Our Reorganisation” in this prospectus and “Statutory and General Information — Further Information about our Company and Other Members of our Group — 4. Group reorganisation” in Appendix V to this prospectus         |



## DEFINITIONS

|                                                                     |                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “RM”                                                                | Malaysian Ringgit, the lawful currency of Malaysia.                                                                                                                                                                                                                                                                                        |
| “RMB”                                                               | Renminbi, the lawful currency of the PRC                                                                                                                                                                                                                                                                                                   |
| “Sanctioned Country(ies)”                                           | countries which is/are targets of International Sanctions as adopted, administered and enforced by the United States, the European Union and its member states, the United Nations or Australia                                                                                                                                            |
| “Sanctioned Person(s)”                                              | certain person(s) and entity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties’ lists, including those maintained by the United States, the European Union, the United Nations or Australia                                                                                        |
| “SFC”                                                               | the Securities and Futures Commission of Hong Kong                                                                                                                                                                                                                                                                                         |
| “SFO”                                                               | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time                                                                                                                                                                                              |
| “Share”                                                             | ordinary share with a nominal value of HK\$0.10 each in the share capital of our Company                                                                                                                                                                                                                                                   |
| “Shareholder”                                                       | a person whose name is entered in the register of members of our Company as the holder of one or more Shares                                                                                                                                                                                                                               |
| “Share Offer”                                                       | the Public Offer and the Placing                                                                                                                                                                                                                                                                                                           |
| “Share Option Scheme                                                | the share option scheme conditionally adopted by our Company on 20 September 2017, a summary of the principal terms of which is set out in “Statutory and General Information — Other Information — 15. Share Option Scheme” in Appendix V to this prospectus                                                                              |
| “Sole Global Coordinator”, “Sole Bookrunner” or “Sole Lead Manager” | Yuanta Securities (Hong Kong) Company Limited, a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO |
| “Sole Sponsor”                                                      | Shenwan Hongyuan Capital (H.K.) Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO                                                                                                                 |
| “SSKSB (MY)”                                                        | Syarikat Sri Kepong Sdn. Bhd., a company incorporated in Malaysia with limited liability on 5 December 1974 and a wholly-owned subsidiary of our Company                                                                                                                                                                                   |
| “Stock Exchange”                                                    | The Stock Exchange of Hong Kong Limited                                                                                                                                                                                                                                                                                                    |

## DEFINITIONS

|                                     |                                                                                                                                                                                                                                          |
|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Takeovers Code”                    | the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time                                                                                                          |
| “TMSB (MY)”                         | Texstrip Manufacturing Sdn. Bhd., a company incorporated in Malaysia with limited liability on 13 June 1988 and a wholly-owned subsidiary of our Company                                                                                 |
| “TNV (VN)”                          | Trunet (Vietnam) Co., Ltd., a company incorporated in Vietnam with limited liability on 15 February 2001 and our joint venture in which we and the other joint venture partner, Trunet (UK), have 50.0% and 50.0% equity interest        |
| “TPP”                               | The Trans-Pacific Partnership                                                                                                                                                                                                            |
| “Track Record Period”               | FY2015, FY2016 and 1Q2017                                                                                                                                                                                                                |
| “Trunet UK”                         | Trunet (UK) Limited (formerly known as Trunature Holdings Limited), a company incorporated in United Kingdom with limited liability on 2 July 2007 and the joint venture partner of TNV (VN) holding a 50.0% equity interest in TNV (VN) |
| “TSMSB (MY)”                        | TS Meditape Sdn. Bhd. (formerly known as First Elastic Corporation (M) Sdn. Bhd.), a company incorporated in Malaysia with limited liability on 29 December 1994 and a wholly-owned subsidiary of our Company                            |
| “Underwriter”                       | the Public Offer Underwriter and the Placing Underwriter                                                                                                                                                                                 |
| “Underwriting Agreements”           | the Public Offer Underwriting Agreement and the Placing Underwriting Agreement                                                                                                                                                           |
| “U.S.”, “US” or “United States”     | the United States of America, its territories and possessions, any state of the United States and the District of Columbia                                                                                                               |
| “US\$”, “US dollar(s)” or “USD”     | United States dollar(s), the lawful currency of the United States                                                                                                                                                                        |
| “U.S. Securities Act”               | the United States Securities Act of 1933 (as amended from time to time)                                                                                                                                                                  |
| “Vietnam”                           | the Socialist Republic of Vietnam                                                                                                                                                                                                        |
| “Vietnamese Legal Advisers”         | RHTLaw Taylor Wessing Vietnam, the Vietnamese legal advisers to our Company as to Vietnamese law                                                                                                                                         |
| “VND” or “Vietnamese Dong”          | Vietnamese Dong, the lawful currency of Vietnam.                                                                                                                                                                                         |
| “ <b>WHITE</b> Application Form(s)” | the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s/applicants’ own name(s)                                                                                            |

## DEFINITIONS

|                              |                                                                                                                                                      |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| “WTSB (MY)”                  | Webtex Trading Sdn. Bhd., a company incorporated in Malaysia with limited liability on 23 November 1984 and a wholly-owned subsidiary of our Company |
| “YELLOW Application Form(s)” | the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS                            |
| “%”                          | per cent                                                                                                                                             |

*In this prospectus, unless the context otherwise requires, the terms “associate”, “close associate”, “connected person”, “connected transaction”, “controlling shareholder”, “core connected person”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.*

*Solely for your convenience, this prospectus contains translations of certain (i) RM and VND amounts into Hong Kong dollars, or vice versa; and (ii) VND amounts into RM, or vice versa, at a specified rate. Unless we indicate otherwise, the translations of (a) RM into Hong Kong dollars and vice versa have been made at the rate of RM1.00 to HK\$1.84; (b) VND into Hong Kong dollars and vice versa have been made at the rate of VND1,000 to HK\$0.34; and (c) VND into RM and vice versa have been made at the rate of VND1,000 to RM0.19 in this prospectus. The exchange rates adopted represent the average daily exchange rates for the 30 days immediately preceding the Latest Practicable Date. No representation is made that any amount in RM, VND or Hong Kong dollars can be or could be, or have been, converted at the above rate or any other rate or at all.*

## GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.

|                         |                                                                                                                                                                                                                   |
|-------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “autoclave”             | a strong heated container used for chemical reactions and other processes using high pressures and temperatures                                                                                                   |
| “CAGR”                  | compound annual growth rate                                                                                                                                                                                       |
| “ERP”                   | enterprise resource planning                                                                                                                                                                                      |
| “kg” or “KG”            | kilogramme(s)                                                                                                                                                                                                     |
| “knitting”              | a method by which yarn is manipulated to create a textile or fabric. Knitting creates multiple loops of yarn, called stitches, in a line or tube. Knitting has multiple active stitches on the needle at one time |
| “lock yarn”             | highly twisted yarn                                                                                                                                                                                               |
| “m”                     | metre                                                                                                                                                                                                             |
| “narrow elastic fabric” | elastic fabric that is generally no more than 12 inches (300 millimetres) in width                                                                                                                                |
| “rewinding”             | the action or process of winding a thread onto a spool or similar object                                                                                                                                          |
| “sq.ft.”                | square feet                                                                                                                                                                                                       |
| “warp yarn”             | a bundle of yarn arranged lengthways on a loom, forming the threads through which the weft yarns are woven                                                                                                        |
| “weaving”               | a method of textile production in which two distinct sets of yarns or threads are interlaced at right angles to form a fabric or cloth                                                                            |
| “weft yarn”             | a yarn which runs crosswise during the knitting process in the manufacturing of woven fabric                                                                                                                      |

## FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. When used in this prospectus, the words “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “project”, “propose”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and our operating and expansion plans;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- future events and developments, trends and conditions in the industry and markets in which we operate or plan to operate;
- our ability to control costs; and
- our ability to identify and successfully take advantage of new business development opportunities.

Such statements reflect the current views of our management with respect to future events, operations, profitability, liquidity and capital resources, some of which may not materialise or may change. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, without limitation, the risks factors set out in “Risk Factors” in this prospectus and the following:

- changes in the laws, rules and regulations applicable to us;
- general economic, market and business conditions in Malaysia and Vietnam, including the sustainability of the economic growth in Malaysia and Vietnam;
- changes in the regulatory environment and general outlook in the future development, trends and conditions in the markets which we export our products to;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- business opportunities and expansion that we may pursue;
- our ability to identify, measure, monitor and control risks in our business, including our ability to improve our overall risk profile and risk management practices; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in “Risk Factors” in this prospectus.

In this prospectus, statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

## RISK FACTORS

*An investment in our Shares involves various risks. You should carefully consider all the information in this prospectus and, in particular, the risks and uncertainties described below before making an investment in our Shares.*

*The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, the trading price of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.*

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

**Our business, results of operations and financial conditions could be adversely affected by the global economic downturn and adverse market and macroeconomic conditions, especially if there is a downturn in our downstream industries.**

As we are generally a manufacturer of semi-finished goods to our customers which are generally producers of finished products, the demand for our products is therefore largely dependent on the demand from our downstream industries. Our products are typically used to serve our end customers which are manufacturers in, among others, the apparel, intimate apparel, food packaging, furniture, automotive, household appliance and health care industries. Our products is also exported to various geographical locations such as the United States, the United Kingdom, India, Indonesia, Australia, Sri Lanka and Pakistan. The performance and growth of such industries depend, to a certain extent, on the global economic and market conditions. Unfavourable economic conditions, such as the 2007–2008 global economic downturn, uncertainties in financial markets over the decision by the United Kingdom to exit the European Union and China's economic slowdown, may lead to a drop in business activities and reduce consumer spending in major countries. As such, adverse present and future economic conditions may affect the demand for our products from downstream customers and we may not be able to grow at the pace we anticipated or at all. If any unfavourable economic conditions occur, our business, financial condition and results of operations may be materially and adversely affected.

In addition, a global economic downturn may adversely affect our customers, suppliers and business partners in obtaining finance and credit for purchases, working capital and capital expenditures for their businesses. This may result in a decline or cancellation of orders from our customers or the inability of our suppliers to fulfil our purchase orders due to production limitations. Furthermore, uncertain market and macroeconomic conditions may cause difficulties for our customers to project their purchasing plans accurately, which may also adversely affect our production planning. In this regard, if the market in which we operate experiences a downturn as a result of global economic factors, our business, results of operations and financial conditions could be materially and adversely affected.

**Our business is concentrated in Malaysia and Vietnam and is highly susceptible to any adverse economic or social conditions in these domestic markets which would materially and adversely affect the demand for our products.**

During FY2015, FY2016 and 1Q2017, an aggregate of 44.1%, 46.1% and 46.8% of our revenue was derived from our total sales to Malaysia and Vietnam, respectively. Our Directors expect to continue to derive a significant proportion of our revenues from these domestic markets. In the past, we have leveraged the strong economic growth and development of Malaysia and Vietnam, which have built up their domestic manufacturing industries. As such, our future prospects and success will depend on the

## RISK FACTORS

continued economic and social prosperity of these regions. In particular, any material adverse change in the economic or social conditions of Malaysia and Vietnam such as (i) an unexpected downturn in the local economy; (ii) changes in government policies, laws, rules or regulations; (iii) the emergence of new entrants with stronger industry recognition and financial resources than us; or (iv) natural disasters, epidemics or other acts of god which will disrupt local manufacturing plants or transportation avenues, may materially and adversely affect the demand for our products, our expansion plans as well as our financial conditions and results of operations.

**We have not entered into long-term agreements with our customers and cannot assure our sales volumes will remain consistent. Therefore, a significant decrease in orders from any of them could adversely affect our business, results of operations and financial condition.**

During the Track Record Period, we generally had not entered into any long-term agreements with our customers and sales were generally concluded on an order-by-order basis. As such, our customers are free to change their suppliers or cease to place order with us at any time. We cannot assure you that we will be able to maintain the same or higher level of orders from our customers in the future or if we will be able to replace any lost orders from existing customers with new ones. If we fail to do so, our business, financial conditions and results of operations may be materially and adversely affected.

**Our production and procurement plans are determined based on the purchase estimates provided by our customers, our historical sales trends and management experience. Any material shortfall in our actual sales volume could materially and adversely affect our business and financial conditions.**

Some of our major customers provide us with their purchase forecast for up to six months for our planning purpose. Our production and procurement plans (particularly in relation to certain principal raw materials) are determined after taking into consideration, among other things, the purchase estimates from our customers, our historical sales trends and management experience. If there are material discrepancies between our customers' purchase estimates and our own forecast sales volumes, we may misallocate resources, resulting in, among others, excessive ordering of raw materials, which may affect our financial condition and increase the risk of stock obsolescence. In addition, if our anticipated order levels do not materialise, our production plan including expansion of our production capabilities may result in over-capacity and increase our fixed production costs significantly. If the foregoing unfavourable situations materialise, our business, financial conditions and results of operations could be materially and adversely affected.

**Our results of operations are subject to the seasonality of our customers' business, and comparison of our operating results between quarterly and interim results may not be meaningful.**

Our sales are subject to seasonality. Based on our sales trends during the Track Record Period, we generally experience lower sales during the first quarter and higher sales in the fourth quarter of the year, mainly due to (i) the festive season of Christmas which has an impact on the demand for consumables; and (ii) the relatively long New Year holiday in Vietnam and Malaysia, prompting certain of our customers placing part of their orders earlier in the fourth quarter of the year. As such, any comparison of our operating results between the quarterly and interim results may not be meaningful. Our Directors expect that the results of our operations will likely continue to be subject to seasonality in the future.

## RISK FACTORS

**We are exposed to risks of obsolete and slow-moving inventory which may adversely impact our cash flow and liquidity.**

Our inventory mainly consists of raw materials and finished goods. As at 31 December 2015 and 2016 and 31 March 2017, we held inventories worth of RM22.0 million, RM23.9 million and RM26.2 million, respectively. Our average inventory turnover days were 117.8 days, 118.2 days and 114.8 days, respectively, which was higher than the level of inventory for principal and commonly used raw materials usually kept for one to three months' production. These inventories may become obsolete and be impaired should we fail to adjust our production or sales plans to consume or sell them before their shelf lives expire. During the Track Record Period, inventories written down amounted to RM0.9 million, RM0.6 million and RM0.4 million, respectively.

As set out in "Risks relating to our Business and Industry — Our production and procurement plans are determined based on the purchase estimates provided by our customers, our historical sales trends and management experience. Any material shortfall in our actual sales volume could materially and adversely affect our business and financial conditions." in this section, if there are material discrepancies between our customers' purchase estimates and our own forecast sales volumes, we may misallocate resources, resulting in, among others, excessive ordering of raw materials, which may affect our financial condition and increase the risk of stock obsolescence. If we cannot manage our inventory level effectively or if our actual output is significantly less than our production plan or more than our expected sales volume, we may not achieve an optimal level of inventory resulting in overstocking of raw materials or finished goods, and we may need to either sell off such inventory at a lower price or write off such inventory. In such circumstances, our financial condition and results of operations may be materially and adversely affected.

In addition, warehousing inventory involves costs and risks. In the event that our inventory is damaged (such as by flood or by fire), this may disrupt our business and may adversely affect our results of operations if such loss is not covered by our insurance policy.

**We are exposed to credit risks with respect to the settlement by our customers. Any significant delay in payment or defaults by our customers may materially and adversely affect our financial condition and results of operations.**

We are subject to the credit risks of our customers and our profitability and cash flow are dependent on timely settlement of payments by our customers for the products we provide to them. Our average trade receivables turnover days were 62.6 days, 61.6 days and 51.0 days as at 31 December 2015, 2016 and 31 March 2017, respectively. During the Track Record Period, impairment loss charged on trade receivables amounted to nil, RM15,000 and nil, respectively.

We cannot assure you that we will be able to collect all or any of our trade receivables within the credit period that we granted to our customers. If any of our customers face unexpected situations, including but not limited to, financial difficulties caused by general economic downturn or fiscal constraints, we may not be able to receive payment of uncollected debts in full, or at all, from such customers and we may need to make provisions for trade receivables, which could in turn materially and adversely affect our financial condition and results of operations.



## RISK FACTORS

**We may be adversely affected by our commercial activities in countries that are subject to evolving economic sanctions by the United States, the European Union, the United Nations or Australia.**

During the Track Record Period, our Group had limited product sales to counterparties in certain Sanctioned Countries, namely Egypt and Tunisia. In addition to sales to counterparties in Egypt and Tunisia, our Group also indirectly procured raw materials from a counterparty in Russia, which is also a Sanctioned Country. International Sanctions targeting Egypt, Tunisia and Russia during the Track Record Period were not comprehensive in nature, but generally consisted of (i) restrictions on certain forms of trade with the Sanctioned Country, and (ii) economic sanctions (i.e. asset freezing or blocking measures) targeting Sanctioned Persons.

As advised by our International Sanctions Legal Advisers, (i) neither our direct customer in Egypt nor our indirect counterparties in Egypt or Tunisia are identified as a Sanctioned Person; (ii) neither our direct supplier nor the original supplier in Russia are identified as a Sanctioned Person; (iii) our product sales to counterparties in Egypt or Tunisia and our indirect procurement of raw materials from the counterparty in Russia during the Track Record Period were not subject to the restrictions on certain form of trade with Sanctioned Countries under the International Sanctions; and (iv) our commercial activities in the Sanctioned Countries during the Track Record Period are not in breach of International Sanctions and do not implicate International Sanctions on us, our Shareholders, the Stock Exchange, HKSCC, HKSCC Nominees and the SFC. See “Business — Customers — Commercial Activities in Sanctioned Countries” in this prospectus for further details.

However, we cannot predict the interpretation or implementation of International Sanctions by any government with respect to any current or future activities by us or our affiliates in a Sanctioned Country or with Sanctioned Persons. New sanctions restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. Also, we can provide no assurances that our future business will be free of risk under sanctions implemented in any jurisdictions or that we will conform our business to the requirements of any government that may not have jurisdiction over our business but nevertheless asserts the right to impose sanctions on an extraterritorial basis. Accordingly, our business and reputation would be adversely affected if any government were to determine that any of our activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Group.

In addition, certain institutional investors, universities or government entities have restrictions on the investment of public funds or endowment funds, respectively, in companies that are members of corporate groups with activities in certain Sanctioned Countries and with Sanctioned Persons. As a result, concern about potential legal or reputational risk associated with our historical sales in Egypt and Tunisia or indirect procurement from Russia, could also reduce the marketability of the Offer Shares to particular investors, which could affect the price of our Offer Shares and Shareholders’ interests in us, despite our commitment not to direct the proceeds from the Share Offer to dealings with Sanctioned Persons. Before investing in our Shares, you should consider if such investment would expose you to any of the United States, the European Union, the United Nations and Australian or other sanctions law risks arising from your nationality or residency. Any of these events could have an adverse effect on the value of your investment in us.

## RISK FACTORS

**Any problems with product quality or performance could result in defective or unsatisfactory products, which may lead to a loss of customers and sales and may subject us to product liability claims, which could result in significant costs or negatively affect our reputation.**

Our products and production processes are required to meet certain quality requirements set by our Group internally as well as by our customers. In particular, certain of our products, such as our seat belt webbings which are supplied to the automotive sector, are typically subject to stringent safety and quality standards common in the industry and as prescribed by laws and regulations such as the Automotive ISO/TS 16949. We cannot assure you that we can fully eliminate the risk of having defects in our products or not conforming with our customers' product specifications. Such quality or performance issues may occur due to many reasons, including but not limited to (i) manufacturing and design errors; (ii) malfunctioning of machinery; (iii) human errors or malfeasance by our production and quality control staff; (iv) raw material quality problems; and (v) deliberate tampering by third parties.

Failure to detect defective or sub-standard products may give rise to customer complaints and the customers so affected may cease their business relationship with us. In addition, serious defects could lead to product recalls, withdrawals, regulatory fines or other adverse consequences that could materially affect our business reputation, financial conditions and results of operations.

In addition, safety and quality standards, laws and regulations are subject to modification and amendments. We cannot assure you that existing or new products produced by us presently or in the future can meet or continue to meet the required safety and quality requirements. Should we fail to meet such requirements, we may be unable to serve our customers and our customers may switch suppliers causing our business reputation and financial performance to deteriorate.

### **Risks associated with our export sales and import purchases**

We export our products to our customers located in overseas jurisdictions including the United States, the United Kingdom, India, Indonesia, Australia, Sri Lanka and Pakistan. During the Track Record Period, our export sales amounted to RM49.8 million, RM52.8 million and RM14.9 million, representing 55.9%, 53.9% and 53.2% of our total sales in FY2015, FY2016 and 1Q2017, respectively. At the same time, we rely on imported raw materials such as natural rubber thread and polyester high tenacity filament yarn from suppliers located in, amongst other countries, Thailand and the PRC. For FY2015, FY2016 and 1Q2017, two, three and three of our five largest suppliers with operations outside Vietnam and Malaysia accounted for 18.5%, 23.6% and 24.8% of our total purchases, respectively.

*Foreign governments may institute various trade regulation measures and impose high tariffs on imported goods, which could adversely affect our business, results of operations and financial conditions.*

During the Track Record Period, we relied, to a significant extent, on export sales and we expect that we will continue to serve our overseas customers in the future. Certain countries, such as the United States and the United Kingdom, to which we export our products may impose countervailing duties on imports to offset the competitive advantages the exporting producers may have from subsidies provided by their domestic governments. As such, any trade protection measures unfavourable to our export products imposed by foreign governments including tariffs on imported goods will increase our cost of sales. We cannot assure you that the countries to which we export our products directly or indirectly will not initiate trade protection measures including anti-dumping duties and countervailing duties, which may impact our products in the future. If any of the above occurs, our profit margins will be adversely affected and we cannot assure you that we will be able to pass on this extra cost to our customers. Our

## RISK FACTORS

overseas customers may instead choose to purchase from our competitors that can offer cheaper prices. In either of the aforementioned situations, we may lose export sales turnover and market share, which could materially and adversely affect our business, financial conditions and results of operations.

*Changes in the regulations relating to import and export duties may increase our cost of sales.*

As advised by our Vietnamese Legal Advisers, presently, the import and export duties for our purchases and export sales by the Vietnamese government are zero rated. In respect of our Malaysian production processes, as advised by our Malaysian Legal Advisers, export duties are exempted except for rubber-related products which have an export duty rate of 0.2% of the export value, whereas for import duties, unless exempted in accordance with the “certificate of origin” of suppliers or our relevant licences, we are subject to an import duty rate.

There is no assurance that we will continue to enjoy the abovementioned exemptions. In the event that such exemptions are not available to our Group or there are unfavourable changes to relevant trade laws in Malaysia or Vietnam, including the rates of such import or export duties, our business, financial performance and competitiveness could be materially and adversely affected.

*We are exposed to foreign exchange risk, which may adversely affect our business and financial condition as well as our international competitiveness.*

During FY2015 and FY2016, as US dollar was gaining momentum due to the recovery of the US economy, both RM and VND exhibited different degrees of depreciation against US dollars. The average exchange rate of USD against RM had increased by 5.9% from USD1:RM3.91 in FY2015 to USD1:RM4.14 in FY2016 (i.e. depreciation of RM), while the average exchange rate of USD against VND had increased slightly by 2.0% from USD1:VND21,904 to USD1:VND22,338 (i.e. depreciation of VND) during FY2015 and FY2016. In FY2015, FY2016 and 1Q2017, 60.7%, 63.5% and 62.5% of our revenue was denominated in US dollars whereas 54.5%, 51.0% and 48.9% of our raw material purchase was denominated in US dollars. Therefore, we had a net US dollar exposure arising from our income after settling the purchases. As a result, our profitability benefited from the appreciation of US dollar against RM and VND during the Track Record Period. However, if USD depreciates against RM and VND, our result will be negatively affected. Such foreign exchange rate fluctuations may also affect the price competitiveness of our exports from our customers’ perspectives and we cannot assure you that our customers will not switch to cheaper alternatives or suppliers.

While we adopted Malaysian Ringgit as our reporting currency, some of our assets and liabilities such as trade receivables and payables, arising from export sales and purchases of raw materials were denominated in other currencies, such as US dollars. From time to time, we have a net position in such currencies. As at 31 December 2015 and 2016 and 31 March 2017, our net monetary assets denominated in US dollar amounted to RM18.4 million, RM16.2 million and RM9.0 million, respectively. Due to the depreciation of RM and VND against USD, our Group recorded gains on foreign exchange of RM1.1 million and RM0.3 million for FY2015 and FY2016, respectively. On the other hand, we recorded losses of foreign exchange of RM0.3 million and RM0.1 million for 1Q2016 and 1Q2017, respectively, mainly as RM temporarily appreciated against USD from USD1:RM4.29 to USD1:RM3.90 in 1Q2016, and also appreciated slightly from USD1:RM4.48 to USD1:RM4.42 in 1Q2017. If USD depreciates against RM and VND, we may record a loss on foreign exchange. See “Financial Information — Significant Factors affecting our Results of Operations and Financial Position of our Group — Fluctuations in foreign exchange rates” in this prospectus for further details on the impact of foreign exchange rates on our cash flow, revenues, earnings and financial position.

## RISK FACTORS

*We are subject to certain risks relating to the delivery of our products including delivery delays and the possibility of damaged goods during the transportation process.*

We employ the services of third party logistics service providers to deliver our products to our customers. We cannot assure that our products can be delivered according to our customers' delivery schedules if unforeseen events outside of our control occur, such as adverse weather conditions, natural disasters or labour strikes, causing transportation and delivery services to be suspended or interrupted. In addition, our products may be damaged during the delivery process if they are improperly handled by third party logistics service providers. We may be required to replace such damaged products to our customers. In either of such situations, we may be liable to our customers for claims or compensations and may materially and adversely affect our business relationship, our reputation and financial performance.

**We do not enter into any long-term agreements with our suppliers, which exposes us to uncertainty and potential volatility with respect to adequacy and stability in supply as well as cost of our raw materials.**

We are highly dependent on our suppliers to provide us with stable and adequate supply of raw materials for our production operation, including (i) yarns of different types such as polyester high tenacity filament yarn, polypropylene multifilament yarn, nylon yarn and spandex yarn; (ii) natural and synthetic rubber and natural rubber threads; (iii) steel plate; (iv) colour dyes; (v) other chemicals; and (vi) packaging materials. Purchases from our five largest suppliers were RM13.6 million, RM13.3 million and RM4.7 million, representing 36.6%, 34.6% and 38.9% of our purchases for FY2015, FY2016 and 1Q2017, respectively. Purchases from our largest supplier amounted to RM4.7 million, RM4.3 million and RM1.3 million, representing 12.7%, 11.3% and 10.3% of our purchases for FY2015, FY2016 and 1Q2017, respectively. For FY2015, FY2016 and 1Q2017, our cost of raw materials amounted to RM37.8 million, RM38.0 million and RM10.4 million, respectively, representing 55.5%, 53.5% and 53.1% of our total cost of sales during the same periods, respectively. We have not entered into any long-term agreements with our suppliers and will negotiate prices with our suppliers on a case-by-case basis. During the Track Record Period, we also did not enter into any hedging transactions to reduce our exposure to fluctuations in raw material prices. If they are unable or unwilling to satisfy our order requirements or at prices that are considered reasonable to us, we may experience an interruption, reduction or termination of raw material supplies and will be required to seek alternative suppliers. We cannot assure you that we will be able to find suitable suppliers that can provide raw materials at the same quality and prices or at all. Should this situation arise, we may be exposed to an increase in raw material costs, which we may not be able to pass on to our customers, and/or a reduction in the quality of our raw materials, and/or a shortage of raw materials supply, which may result in an increase in our wastage rate or impair the quality of our products. As such, our business, financial condition and results of our operations may be adversely impacted.

**We are exposed to risks posed by fluctuations in the price of raw materials, particularly those which are petrochemical derivatives.**

Our cost of raw materials makes up a significant proportion of our cost of sales and fluctuations in raw material prices may significantly affect our operations, gross profits and net profits. During the Track Record Period, our cost of raw materials accounted for RM37.8 million, RM38.0 million and RM10.4 million, respectively, representing 55.5%, 53.5% and 53.1% of our cost of sales for FY2015, FY2016 and 1Q2017, respectively. See "Financial Information — Significant Factors affecting our Results of Operations and Financial Position of our Group — Raw material price" in this prospectus for details of price fluctuations of raw materials.

## RISK FACTORS

In particular, some of our raw materials, such as polyester high tenacity filament yarn, polypropylene multifilament yarn and synthetic rubber, are crude oil-based by-products or petrochemical derivatives and therefore their prices are indirectly linked to crude oil prices. According to the Frost & Sullivan Report, crude oil prices during FY2015, FY2016 and 1Q2017 experienced a slight fluctuation. From 2011 to 1Q2017, the crude oil price decreased from US\$107.5 per barrel to US\$52.0 per barrel. In particular, the crude oil price decreased from US\$49.5 per barrel in 2015 to US\$40.8 per barrel in 2016, but increased to US\$52.0 per barrel in 1Q2017. During the Track Record Period, the price of polypropylene, polyester high tenacity filament yarn and nylon which were petrochemical derivatives fluctuated from US\$1,880 per tonne to US\$1,730 per tonne, from US\$1,950 per tonne to US\$1,810 per tonne and from RM11,800 per tonne to RM12,500 per tonne, respectively, and we did not enter into any financial instruments for the purpose of hedging our purchase prices for such raw materials in view of the additional risk involved.

We cannot assure you that the price trends of raw materials, particularly those which are petrochemical derivatives, will continue to decline or to be favourable to our business in the future. Crude oil is a highly volatile commodity and its prices are influenced by various economic, political and regulatory forces which are beyond our control. We may not always be able to pass on the increase in raw material costs to our customers and any such increase will take time to negotiate. If there is any substantial increase in the prices of such raw materials and we are unable to increase our selling prices accordingly in a timely manner or at all, our business and financial performance may be materially and adversely affected.

**Our future capital expenditure for the purchase of equipment and machineries may result in an increase in our depreciation expenses.**

As part of our business strategies to expand our production capacity, we plan to construct a new factory and acquire new production equipment. The total investment costs are estimated to be HK\$32.4 million, in which HK\$20.4 million, HK\$0.7 million and HK\$11.3 million will be used for the expansion of production capacity for narrow elastic fabric, covered elastic yarn and seat belt webbing, respectively. Except for HK\$15.5 million out of the investment costs for narrow elastic fabric which will be used for the construction of a new factory in Vietnam, the foregoing investments costs will be used for purchase of new machineries. See “Business — Our Business Strategies” and “Statement of Business Objectives and Use of Proceeds” in this prospectus for details.

Our Directors expect that the annual depreciation rate for the machineries and factory would be at 10% and 4%, respectively, as soon as they are put into operation, and will result in additional annual depreciation charges as follows:

- narrow elastic fabric: HK\$1.1 million (equivalent to RM0.6 million);
- covered elastic yarn: HK\$70,000 (equivalent to RM40,000); and
- seat belt webbing: HK\$1.1 million (equivalent to RM0.6 million).

The increase in depreciation will adversely affect our financial performance and operating results.

## RISK FACTORS

**Our operations depend on reliable and functioning machinery and an adequate and timely supply of water, electricity and other critical supplies and equipment, a disruption of which may adversely affect our ability to meet customer orders.**

Our production facilities are subject to operational risks and disruptions such as interruptions of utilities supplies including water and electricity, labour disputes and industrial accidents. In addition, as at 31 March 2017, a majority of our major production equipment and machinery is over 10 years old. Our operations are capital intensive and we are prone to machinery breakdowns, amid regular maintenance. The occurrence of any of the above disruptions may limit or restrict our production output and may potentially require us to compensate our customers for failure to deliver our products in accordance with the customer's requirements. This may adversely affect our business relationship with our customers, the majority of which are also manufacturers that rely on our products to manufacture finished goods to meet their order commitments with their own customers. In addition, any such disruptions may require us to incur significant expenses to repair any damage to our production facilities or replace malfunctioning machines. In the occurrence of such an event, our business performance and financial results may be materially and adversely impacted.

**If we are unable to renew any leasehold titles or land use rights with respect to certain of our production facilities in Vietnam, we may be forced to cease future operations at these production facilities, and our business, financial condition and results of operations may be adversely affected.**

As at the Latest Practicable Date, (i) we held three leasehold titles in respect of three parcels of land; (ii) we entered into a tenancy in respect of one building which was used for packaging and storing finished products in Malaysia; and (iii) we leased certain land use rights in respect of our two production facilities in Vietnam. The terms of the relevant leasehold titles ranged from 60 to 99 years, expiring the earliest in 2075; while that of the relevant land use rights ranged from 46 years to 47 years, expiring the earliest in 2044. See "Business — Properties" in this prospectus for further details.

If we are not able to renew the leasehold titles or land use rights with respect to any of our production facilities at commercially reasonable terms, or at all, we may be forced to cease future operations at such production facilities, which may have a material adverse effect on our business, results of operations and financial condition.

**Our business, financial condition, results of operations and growth prospects could be adversely affected by difficulties in recruiting and retaining qualified employees as well as increases in the cost of labour.**

We depend on our employees, in particular our skilled production workers, to carry out our manufacturing and operating activities. Our cost of labour formed a material portion of our costs of sales, which amounted to RM14.4 million and RM17.7 million and RM5.2 million, representing 21.2%, 24.9% and 26.6% of our cost of sales for FY2015, FY2016 and 1Q2017, respectively.

We cannot assure that we will always be able to recruit and retain qualified and suitable employees to support our business activities. In particular, our production facilities in Malaysia are highly dependent on foreign labour with a typical contractual period of three years, renewable based on mutual agreement and approval of their work permit by local authorities. Some of our employees in Vietnam were also recruited overseas for their skills and/or experience during the Track Record Period. For details, see "Business — Employees" in this prospectus. There is no assurance that we will be able to retain them after their contractual period as they may choose to return to their homeland. This risk is particularly prominent if their pay in Malaysian Ringgit or Vietnamese Dong is substantially reduced when translated to their home currencies due to exchange rate fluctuations. If we are unable to find



## RISK FACTORS

suitable replacements at reasonable costs and in a timely manner, we may experience labour shortages and we may be unable to fulfil our customers' purchase orders. Should such a situation materialise, our business, financial conditions and results of operations may be materially and adversely affected.

Moreover, the employment of foreign workers in Malaysia is subject to the approval of the Ministry of Home Affairs Malaysia, which imposes conditions, amongst other things, on the number, positions, duration of employment and the sources or country of origin of the foreign workers. Upon obtaining approval from the Ministry of Home Affairs Malaysia, it is required to submit application for work permit and employment pass to the Foreign Workers Division, Immigration Department of Malaysia. The approval of the work permit and employment pass can be revoked if its conditions are contravened. As such, any changes in regulations and policies in Malaysia to reduce the number of foreign workers permissible to be employed by us or reduce the duration of employment permit or restriction of foreign workers from certain countries of origin or an increase in the levy may adversely affect the operations and profitability of our Group.

Similarly, foreigners who work in Vietnam are required to obtain a work permit or to obtain a confirmation from the local labour department that they are exempted from obtaining a work permit. Enterprises are permitted to recruit foreign workers in order to work as managers, executive directors, experts and technical employers where local hires are not able to meet production and business requirements. An application for work permit may be rejected if the compulsory requirements under the laws of Vietnam are not satisfied. Therefore, any change in regulations and policies in Vietnam to impose more conditions or to reduce the duration of employment permit may affect the operations and profitability of our Group in Vietnam.

In addition, average labour costs in Malaysia and Vietnam have increased in recent years as a result of higher living standards, inflation and the introduction of minimum wage. In 2013, the Malaysian government implemented the Minimum Wages Order of introducing statutory minimum wages of RM900 per month. This was subsequently raised by 11.1% to RM1,000 per month effective on 1 July 2016 and the Malaysian government is expected to further review such amount in 2018. Similarly, the Vietnamese government introduced minimum wages in mid-1990s as part of its market reforms. The country's average minimum wage has since been adjusted on an annual basis increasing from VND2.3 million (equivalent to RM437) in 2014 to VND2.6 million (equivalent to RM494) in 2015, and further increased by 11.5% and 6.9% to VND2.9 million (equivalent to RM551) and VND3.1 million (equivalent to RM589) in 2016 and 2017, respectively. It is expected that further increments will continue to be promulgated annually. As a result of such minimum wage increments, which is beyond our control, our costs of labour are likely to continue to increase in the near future which will adversely affect our business, financial condition, results of operations and growth prospect.

### **We may be subject to liability in connection with industrial accidents at our manufacturing facilities.**

Our production processes are capital intensive, using tools, equipment and machinery that may be prone to industrial accidents, potentially causing physical injuries or even fatalities of our workers. There is no assurance that industrial accidents, whether caused by malfunctioning or misuse of equipment, tools or machinery, will not occur in the future. In such situations, we may be liable to claims brought against us by injured workers or their families in cases of fatalities. We may also be subject to fines or penalties for violations of applicable safety laws and regulations by government authorities as well as suspension of our operations for investigation after such incidents. As a result, we may also be required by local government authorities to amend and implement new safety requirements

## RISK FACTORS

to prevent the reoccurrence of such incidents in the future. As such, the occurrence of industrial accidents may materially and adversely affect our business operations, reputation and financial condition.

**Our production facilities are subject to environmental laws in Malaysia and Vietnam and any failure to comply with environmental regulations would expose us to penalties, fines, suspensions or actions in other forms.**

Certain of our production processes emit harmful wastes such as effluent from the dyeing process for narrow elastic fabrics and webbings. In this regard, our production processes are subject to certain environmental laws and regulations in both Malaysia and Vietnam. See “Regulatory Overview — Malaysian Regulatory Overview — C. Environmental Protection Laws and Regulations” and “Regulatory Overview — Vietnamese Regulatory Overview — C. Environmental Protection” in this prospectus for further details. Any failure to meet the standards as required under local laws and regulations could subject us to fines, warnings and/or orders from relevant government authorities to rectify the problem within a specified period of time. In order to rectify such situations, we may be required to suspend our production temporarily or even permanently in cases of serious non-compliance. Should this situation arise, our business reputation, financial condition and results of operations may be materially and adversely affected.

In addition, environmental laws and regulations may be amended from time to time as required by the Malaysian and Vietnamese government and is not within our control. We cannot assure you that our existing environmental policies and equipment will be adequate to meet future environmental policies and requirements and we may be required to incur additional costs to comply with such future requirements, which may be more stringent than present laws and regulations. In such situation, our capital expenditure and cost of production will increase unexpectedly, which may materially and adversely affect our financial condition and business operation.

**Any change or discontinuation of preferential tax treatments we currently enjoy would increase our tax liability and accordingly adversely affect our business and results of operations.**

For FY2015, FY2016 and 1Q2017, some of our subsidiaries incorporated in Vietnam enjoyed preferential income tax rate at 15%. In Vietnam, the standard corporate income tax rate has changed from 22% in 2015 to 20% since 2016. We cannot assure you that the preferential tax treatments we enjoyed will not be revoked or changed in the future. If there is such revocation or change in our entitlement to such preferential tax treatments, our tax expenses will increase which may adversely affect our financial conditions, business and results of operations.

**Our historical results may not be reflective of our future performance and we may not be able to maintain similar rates of growth in the future.**

Our revenue amounted to RM89.0 million, RM97.9 million and RM27.9 million in FY2015, FY2016 and 1Q2017, respectively, and our gross profit amounted to RM20.9 million, RM26.9 million and RM8.3 million during the same periods, respectively. However, our business is susceptible to various market and economic changes and we are highly dependent on the demand from the downstream industries which our customers belong to. We cannot assure you that our business will continue to grow at the same rate as we have experienced during the Track Record Period and our historical results may not be reflective of our future performance.



## RISK FACTORS

**Our plan to expand our production capacity could contribute to the fluctuations of our financial results as the new production facilities may not achieve timely profitability as anticipated, or at all.**

We plan to expand our production capacity by constructing a new factory and acquiring additional production machines. See “Business — Our Business Strategies” and “Statement of Business Objectives and Use of Proceeds” in this prospectus for further details. There is no assurance that we will be able to materialise such expansion plan or at costs comparable to what we have planned for.

Other than financing difficulties, our plan to expand the production capacity and operate the new facilities may be adversely impacted by various factors, many of which are beyond our control, including, but not limited to, (i) delay in delivery of major equipment or failure of equipment and machinery to perform according to specifications or our expectations; (ii) the failure of or delay in obtaining or renewing the required licences, permits and approvals for our growth and expansion plans, if any; (iii) unforeseen adversities that could substantially delay our planned expansion, such as adverse weather conditions and equipment and machinery malfunctions; (iv) our new products having weaker market reception than we expected; and (v) difficulty in recruiting sufficient qualified workers. In addition, the operating results generated at the new production facilities may not be comparable to the operating results generated at any of our existing production facilities and may even operate at a loss. We cannot assure you that our future production facilities will achieve the level of profitability of our existing production facilities, if at all. Any of the above situations, if materialise, could materially and adversely affect our business, financial condition and results of operations.

**We may not be able to manage our growth and expansion effectively in the future.**

Our future growth may depend on establishing new production facilities and expanding our production capacity, efficient operation of new production facilities, introducing new products, expanding our customer base and entering new markets. Our ability to achieve growth will be subject to a range of factors, including:

- adapting to changing industry and market trends;
- exercising effective quality control and maintaining high safety standards;
- strengthening our relationships with existing customers and attract new ones to match our increased production capacity;
- enhancing our product modification capabilities;
- hiring and training qualified personnel;
- controlling our costs of operations;
- securing management and financial resources;
- executing our operational, financial and management controls systems in an efficient and effective manner;
- managing our various suppliers and leveraging our bulk purchasing power; and
- maintaining our competitive strengths over our competitors.

## RISK FACTORS

We intend to further develop new applications for our products and explore new target customers and geographical markets. See “Business — Our Business Strategies” and “Statement of Business Objectives and Use of Proceeds” in this prospectus for further details. Expansion into new geographic markets and development of new applications for our products, such as narrow elastic fabrics for sportswear, in which we may have limited operating experience and brand recognition, may present operating and marketing challenges that are different from those we have encountered. New markets and product applications may have different competitive dynamics, consumer preferences and discretionary spending patterns compared to our existing markets and product offering. Our brands and products are likely to be unfamiliar to customers in new markets and we may need to build or increase brand awareness by increasing investments in sales and marketing activities. As a result, the profitability of our new products and new markets may be less comparable to that of the existing ones, which in turn could affect the viabilities of these new operations and our overall profitability.

Additionally, our expansion plans and business growth could strain our managerial, operational and financial resources. Our ability to manage future growth will depend on our ability to continue to implement and improve operational, financial and management systems on a timely basis and to expand, train, motivate and manage our workforce. We cannot assure you that our human resources and various operation systems will be adequate to support our future growth. Failure to effectively manage our expansion may lead to increased costs and reduced profitability and may adversely affect our growth prospects. In addition, as we expand our operations, we may encounter regulatory, cultural and other difficulties that may also increase our costs of operations.

**We may need additional funding to meet future business requirements and plans, which we may not be able to obtain on acceptable terms, or at all.**

We may need additional capital to fund our capital expenditure associated with our expansion plans. We generally incur a material amount of capital expenditure to set up new production facilities, typically consisting of investments for construction and renovation of the property and acquisition of production equipment and machinery. See “Business — Production — Expansion plan” in this prospectus for details of the expected capital expenditure. In addition, our investment costs could be affected by many factors, such as general economy, industry performance, machinery demand and supply condition and labour cost of construction workers. There is no assurance that we will generate sufficient cash flow from our operating activities for our intended expansion plans. In the event that we do not have sufficient operating cash flow, we will need to obtain alternative financing. There is no assurance that we will be able to obtain adequate financing on acceptable terms, or at all. Our ability to obtain additional capital on acceptable terms will be subject to a variety of uncertainties, including:

- investor perceptions of and appetite for securities of companies engaged in the industry in which we operate;
- conditions in the capital and financial markets in which we may seek to raise funds;
- our future cash flows, financial condition and results of operations; and
- economic, political and other conditions in Hong Kong, Malaysia, Vietnam and the rest of the world.

We may be required to scale down our planned capital expenditures, which may adversely affect our ability to achieve economies of scale and implement our planned growth strategy. If we raise additional funds by borrowing, our interest and debt repayment obligations will increase. The terms of any future debt facilities may also impose restrictive covenants that may restrict our business and

## RISK FACTORS

operations; or result in dilution of shareholding of the Shareholders in the case of equity financing. Our inability to raise additional funds in a timely manner and on terms favourable to us, or at all, may have a material adverse effect on our financial condition, results of operations and prospects.

**We may be subject to intellectual property rights disputes, which could adversely affect our business, results of operations and financial conditions.**

Our business is built on our brand and our ability to modify products that satisfy our customers' changing product specifications. We cannot assure you that the steps we have taken may be adequate to prevent the misappropriation of our brand, logo, trademark and/or product design (whether duly registered with the relevant intellectual property office or not). Any unauthorised use or infringement of our intellectual property rights (including those unregistered or undergoing registration application) may have an adverse impact on our business. If we have to resort to litigation to enforce our intellectual property rights, we may incur significant costs.

On the other hand, we cannot assure you that we will not be subject to infringement claims against us from third parties. Should such claims be brought against us, we may incur significant legal costs to defend our position and/or be required to pay substantial damages by the order of a judicial court or through mediation. This may materially and adversely affect our business reputation, financial conditions and results of operations.

**We are dependent on our key management personnel.**

Our future business performance and implementation of our expansion plans are dependent, to a substantial extent, on the continuous contributions of our executive Directors and senior management. We expect that our executive Directors and senior management team will continue to play an important role in the future growth and success of our business. However, there is no assurance that we will be able to continue to attract and retain the service of our business leaders. If any of our executive Directors or senior management terminates his or her service agreement with us and we are unable to find a suitable replacement in a timely manner, or at all, our business operations and implementation of our future plans may be adversely affected.

**Our Group has records of certain non-compliance of Malaysian and Vietnamese regulatory requirements.**

There have been instances of certain systemic non-compliance incidents with certain Malaysian and Vietnamese regulatory requirements by our Group. These include non-compliance with the permitted maximum overtime working hours in Malaysia and Vietnam, details of which are set out in "Business — Legal Compliance — Non-compliance" in this prospectus. According to our Malaysian Legal Advisers and Vietnamese Legal Advisers, the maximum penalty for non-compliance with the permitted maximum working hours in Malaysia is RM60,000 (equivalent to HK\$110,000), while the maximum penalty in Vietnam is VND100 million (equivalent to HK\$34,000). If the relevant government authorities take enforcement actions against our Group and/or our Controlling Shareholder fail to indemnify us to a sufficient extent, or at all, we may be required to pay penalty or incur other liabilities, and our reputation, financial condition and results of operations may be adversely affected.

## RISK FACTORS

### **We may not be adequately insured against losses and liabilities arising from our operations.**

Our operations face a variety of risks in connection with our business. As at the Latest Practice Date, while we maintained insurance policies covering losses arising from fire, public liability, personal accident and various industrial risks for our production facilities, no product liability insurance was maintained for our products. See “Business — Insurance” in this prospectus for further details.

In the event of a claim against our business, we cannot assure you that the amount of insurance we have obtained is adequate to cover the entire value of such claims. Our insurance policies may not be adequate to cover all losses and liabilities incurred by us in the future. In particular, since we do not maintain product liability insurance for our products, any product liability claim against us and any legal proceeding, arbitration or administrative sanctions or penalty arising therefrom, irrespective of the outcome or the merits of such claim could adversely affect our business, financial condition, results of operations as well as our corporate image and reputation. Even if we are able to defend any such claim successfully, we cannot assure you that our customers will not lose confidence in our products as a result of such claim, which may in turn adversely affect our future business. There is no assurance that product liability claims or claims which would not be covered by our insurance policies will not be made against us in the future. In cases where we are held liable for uninsured losses, our business and financial results may be materially and adversely affected.

### **Competition from existing industry players and new entrants in our target markets may harm our financial performance.**

As we have a diversified product range serving industries such as the apparel, intimate apparels, furniture, automotive, household appliance and health care across different geographical regions, we face competition from existing and new players both domestically in Malaysia and Vietnam as well as on an international scale. As our management focus is on maintaining the quality of our products, certain of our competitors located in regions such as the PRC, India and Thailand, may be able to offer similar products at cheaper prices and consequently we may lose certain customers. In order to compete effectively and maintain our sales levels, we may be forced to, amongst other possible actions, to reduce our prices, offer bulk purchase terms or provide other sales incentives to our customers. Should we be required to take such action, our business, profit margins, results of operations and prospect could be materially and adversely affected.

### **Extraordinary events such as health epidemics, natural disasters, adverse weather conditions, political unrest, terrorist attacks and other catastrophes could adversely affect our business, operations and financial performance.**

We require our operations to be uninterrupted in order to meet our customer orders from time to time. However, our production facilities, our customers and our suppliers are located in areas that may be susceptible to risks beyond our control including, among others, health epidemics, natural disasters, adverse weather conditions, political unrest, terrorist attacks and other catastrophes which could materially and adversely affect our operations and financial performance. For example, in 2003, certain Asian countries and regions were affected by the outbreak of Severe Acute Respiratory Syndrome, or SARS, a form of atypical pneumonia. In recent years, the outbreak of the Ebola virus has caused many deaths in the Middle East and Africa; and in 2016, the outbreak of the Zika virus spread to South East Asian countries including Singapore and Malaysia. A serious outbreak of such health epidemics, especially in areas where our operations, our customers and our suppliers are located could cause material interruptions in our production, procurement and sales process as well as our logistics for transportation of raw materials and products. We may not be able to meet our customers’ demands or deliver our products, which may materially and adversely affect our financial conditions and reputation.

## RISK FACTORS

In addition, other extraordinary events such as natural disasters, adverse weather conditions, political unrest and terrorist attacks could significantly affect our business if they occur close to our production facilities, our suppliers or our customers. If we are unable to react promptly to such incidents, we could incur casualties, loss of inventory, damage to our properties including our production facilities and interruptions to our production processes. Significant expenditure and time may also be required to rectify the damage caused to our business and there is no assurance that the insurance policies maintained by us will adequately cover all such losses to our business. On a macro level, such events are also likely to cause a degree of damage to the regional or national economy, which may affect the demand for our products if our customers and their downstream markets are affected. As such, our business operations and financial performance may be materially and adversely affected.

### **RISKS RELATING TO CONDUCTING BUSINESS IN MALAYSIA AND VIETNAM**

**Our business activities could be influenced by economic, political and regulatory considerations and conditions in Malaysia and Vietnam.**

All of our operating assets are situated in Malaysia and Vietnam. As such, our business, financial conditions and results of operations whether presently or in the future, depend to a certain extent on the economic, political and regulatory developments of Malaysia and Vietnam. Such developments and future uncertainties include, but not limited to, changes in political leadership, risks of war, expropriation and changes in laws and regulations. In particular, any unfavourable changes in government policies on import and export duties and tariffs, foreign exchange controls, restrictions on production, price controls, taxation, environmental protection, employment and health and safety, could materially and adversely impact our business operations, financial conditions and international competitiveness.

**The RM and VND may be subject to foreign exchange controls imposed by the Malaysian and Vietnamese government.**

The Central Bank of Malaysia has a history of interventions in the nation's foreign exchange controls. In September 1998, the RM was pegged to the USD and on 21 July 2005, the Central Bank of Malaysia adopted a managed float system which benchmarked the RM to a currency market to ensure the RM remained close to its fair value. We cannot assure you that the Malaysian government will not implement a greater level and more restrictive foreign exchange controls in the future. If any of the above occurs, our ability to repatriate profits from our Malaysian operating subsidiaries to our Company could materially and adversely affect our business, results of operations and financial condition.

In Vietnam, the Vietnamese Dong is not generally freely convertible into other currencies. Under certain conditions, such as fulfilment of Vietnam's financial obligations, the Vietnamese government allows foreign invested enterprises to convert Vietnamese Dong into other currencies for repatriation of profits from their Vietnam operations abroad. However, there is no assurance that such rules and regulations will not be subject to change in the future and any tightening of foreign exchange control laws in Vietnam may impair our ability to repatriate profits from our Vietnamese operations to our Company. If any of the above occurs, our business, results of operations and financial conditions may be materially and adversely affected.

## RISK FACTORS

**We require various approvals, licences and permits to operate our business and any failure to obtain or renew any of these approvals, licences and permits could materially and adversely affect our business and results of operations.**

We are subject to various laws and regulations in jurisdictions in which we operate. In respect of our business operations in Malaysia, we are required to maintain business licence and various licences, permits and registrations in relation to, among other things, manufacturing, purchase and storage of certain materials, wastewater treatment plant operation and fitness of plant and machinery.

In accordance with the laws and regulations of Vietnam, we are required to maintain various approvals, licences and permits in order to operate our manufacturing business in Vietnam. We are required to obtain certificates of incorporation (enterprise registration certificate, investment registration certificate, and/or investment certificate) and land and building titles and licences in relation to environmental issues. Most of these licences are subject to examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal and accreditation.

Compliance with the relevant laws and regulations may require substantial expense, and any non-compliance may expose us to liabilities. In case of any non-compliance, we may have to incur significant expenses and divert substantial management time to remedy any deficiencies. We may also experience adverse publicity arising from such non-compliance with any laws and regulations that negatively impacts our brand.

We may experience difficulties or failures in obtaining the necessary approvals, licences and permits for new production facility. In addition, there can be no assurance that we will be able to obtain or renew all of the approvals, licences and permits required for our existing business operations upon expiration in a timely manner, or at all. If we cannot obtain or maintain all licences required by us to operate our business and undergo our planned new business, our ongoing business could be interrupted and our expansion plans may be delayed. We may also be subject to fines and penalties.

### **The Malaysian and Vietnamese governments may change their policies on foreign workers.**

The supply of foreign workers in Malaysia and Vietnam are subject to the policies of the Malaysian and Vietnamese governments. Any future changes to employment policies, visa restrictions and reductions in work permit quotas may impact the supply of foreign workers in Malaysia and Vietnam. Should any of the above occur, the labour supply will also be effectively reduced and consequently competition for foreign workers may also cause the general cost of labour across the nation to increase. This could adversely affect our cost of labour and ability to employ foreign workers or to renew our employees' work permits to support our production process. As such, our business operations and financial condition could be materially and adversely affected.

### **Foreign investors may find it difficult to enforce foreign judgements obtained against our operations or our Directors or members of our senior management in Malaysia and/or Vietnam.**

Our principal operating subsidiaries are incorporated under the laws of Malaysia and Vietnam and our main assets are located in these two countries. The majority of our Directors and senior managers are residents of Malaysia and a substantial portion of their assets are situated in Malaysia.

By virtue of the Reciprocal Enforcement of Judgements Act 1958, foreign judgements must be registered in Malaysia before they can be enforceable. Such registration process is only available if judgement is given by a superior court from a country listed in the First Schedule of the Reciprocal Enforcement of Judgement Act 1958, which covers the United Kingdom, Hong Kong, Singapore, New



## RISK FACTORS

Zealand, the Republic of Sri Lanka, India and Brunei Darussalam. Should the foreign judgement be with a country that is not so listed, the only option of enforcement is at common law by securing a Malaysian judgement.

In Vietnam, pursuant to the Civil Proceedings Code, Vietnamese courts will consider the recognition of civil judgements issued by the courts of a country, subject to certain restrictions, with which it has signed a relevant bilateral treaty with or on the basis of reciprocity. Countries that have entered into such bilateral treaties include Algeria, Belarus, Bulgaria, China, Cuba, Czechoslovakia, France, Hungary, Kazakhstan, Laos, Mongolia, North Korea, Poland, Russia, Taiwan and Ukraine. Should the foreign judgement be with a country that has not entered into such bilateral treaties, enforcement will only be possible via a Vietnamese judgement.

As a result of the restrictions and limitations on the enforceability of foreign judgements, it could be difficult to enforce a foreign judgement against our principal subsidiaries incorporated in Malaysia and Vietnam, or against our Directors or senior management in Malaysia.

**Our principal subsidiaries are incorporated in and our main assets are located in Malaysia and Vietnam. We, as shareholders of these subsidiaries, may not be accorded the same rights and protection under the Malaysian and Vietnamese company law that would be accorded under the Cayman Islands Companies Law.**

Our principal operating subsidiaries are incorporated under the laws of Malaysia or Vietnam and our main assets are located in these two countries. Although there may be certain similarities between the company law principles in the Cayman Islands with that of Malaysia and Vietnam in the sense that shareholder protection is an understood and recognised concept, the degree and extent of shareholder protection relating to the interests of minority Shareholders, rights of Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors in Malaysia and Vietnam may be different from that under the laws of the Cayman Islands. Such differences also mean that legal remedies available to our Shareholders, particularly minority Shareholders, in Malaysia and Vietnam may also differ from that of the Cayman Islands. See “Summary of the Constitution of our Company and the Cayman Islands Companies Law” in Appendix IV to this prospectus for details.

### **RISKS RELATING TO THE SHARE OFFER**

**There is no existing public market for our Shares and their liquidity and market price may fluctuate.**

Prior to the Share Offer, there has not been a public market for our Shares. We have applied for the listing of and dealing in our Shares on the Stock Exchange. However, even if approved, we cannot assure you that an active and liquid public trading market for our Shares will develop following the Share Offer, or, if it does develop, it will be sustained. The financial market in Hong Kong and other countries have in the past experienced significant price and volume fluctuations. Volatility in the price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results. Accordingly, we cannot assure you that the liquidity and market price of our Shares will not fluctuate.

The Offer Price may not be indicative of prices that will prevail in the trading market after the Share Offer. Our Shareholders may therefore not be able to sell their Shares at or above the Offer Price.



## RISK FACTORS

**As the Offer Price is higher than the net tangible book value per Share, our Shareholders will experience an immediate dilution in the book value of their Shares purchased in the Share Offer and may experience further dilution if we issue additional Shares in the future.**

The Offer Price of our Shares is higher than the net tangible assets value per Share immediately prior to the Share Offer. Therefore, our Shareholders will experience an immediate dilution in pro forma net tangible assets value of HK\$0.33 per Share.

In order to expand our business, we may consider offering and issuing additional Shares in the future. Our Shareholders may experience further dilution in the net tangible assets book value per Share if we issue additional Shares at a price lower than the net tangible assets book value per Share at the time of their issue.

**PRG Holdings, our Controlling Shareholder, may exert substantial influence over our operation and may not act in the best interests of our public Shareholders.**

Immediately following the Share Offer, PRG Holdings, our Controlling Shareholder will own 75.0% of our issued share capital, without taking into account of the Shares which may be issued upon the exercise of the Offer Size Adjustment Option. Therefore, it will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of Directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of our Group that would otherwise benefit our Shareholders. The interests of our Controlling Shareholder may not always align with our Company or your best interests. If the interests of our Controlling Shareholder conflict with the interests of our Company or our other Shareholders, or if our Controlling Shareholder chooses to cause our business to pursue strategic objectives that conflict with the interests of our Company or other Shareholders, our Company or those other Shareholders, including you, may be disadvantaged as a result.

**Future sales or issuance or perceived sales or issuance of our Shares could have a material adverse effect on the prevailing market price of our Shares and our ability to raise additional capital.**

Based on our offer structure as outlined in "Structure and Conditions of the Share Offer" in this prospectus, there will be 126,000,000 Shares outstanding immediately following the Share Offer assuming no exercise of the Offer Size Adjustment Option and not taking into account options which may be granted under the Share Option Scheme. Our Controlling Shareholder is subject to a lock-up agreement for a period of six months after the Listing Date. However, after the expiry of this lock-up period, subject to certain conditions, our Controlling Shareholder is free to dispose of its shares at its own discretion and the sale or disposal of any substantial amounts of our Shares in the public market or the perception that such sales could occur, could have a material and adverse effect on the market price of our Shares. This may also consequently affect our future ability to raise capital through offering of our Shares.

**Dividends paid in the past may not be indicative of the amounts of future dividend payments or our future dividend policy.**

For FY2015, FY2016 and 1Q2017, our subsidiaries declared dividends of RM1.5 million, RM10.5 million and RM8.5 million, respectively, to PRG Holdings. On 14 September 2017, FIPB declared dividend of RM5.0 million to PRG Holdings which was settled by our internal resources before the Listing. Such historical dividend distributions by our subsidiaries are not an indication of our future

## RISK FACTORS

dividend policy and we cannot assure you that we will declare or distribute dividends of similar amounts or rates in the future. Any future dividend declaration and distribution by us will be at the discretion of our Directors and will depend on a number of factors including but not limited to our future plans, operations, annual and retained earnings, capital requirements and surplus, our financial situation, contractual restrictions, contingent liabilities and any other factors that our Directors consider relevant. In addition, our Directors' discretion will be subject to our constitutional documents and Companies Law as well as (when required) the approval of our Shareholders. The declaration and distribution of dividends are further dependent on the availability of dividends received from our subsidiaries in Malaysia and Vietnam in accordance with our internal policy. See "Financial Information — Dividends" in this prospectus for details.

**You should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in the press articles, other media and/or research analyst reports regarding us, our business, our industry and the Share Offer.**

There may be subsequent to the date of this prospectus but prior to the completion of the Share Offer, press, media, and/or research analyst coverage regarding us, our business, our industry and the Share Offer. You should rely solely upon the information contained in this prospectus in making your investment decisions regarding our Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or the appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analyst regarding the Shares, the Share Offer, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of information contained in this prospectus only and should not rely on any other information.

**You may experience difficulties in protecting your interests because we are a Cayman Islands company and the laws of the Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong or certain other jurisdictions.**

Our corporate affairs are governed by, among other things, the Articles of Association, the Companies Law and the common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands and the Articles of Association. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. Such differences mean that the remedies available to our minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. For detailed information, see "Summary of the Constitution of our Company and the Cayman Islands Companies Law" in Appendix IV to this prospectus.

**We cannot guarantee the accuracy of certain facts and statistics contained in this prospectus.**

Certain facts and statistics in this prospectus have been derived from various official government and other publications generally believed to be reliable. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and

## RISK FACTORS

reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Such information has not been independently verified by us or any of the Sole Sponsor, the Sole Global Coordinator, Sole Bookrunner, Sole Lead Manager, the Underwriter or any of our or their respective directors, officers or representatives or any other person involved in the Share Offer and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. As a result, you should not unduly rely upon such facts and statistics contained in this prospectus.

### **Forward-looking statements contained in this prospectus are subject to risks and uncertainties.**

This prospectus contains certain statements that are “forward-looking” and uses forward looking terminology such as “anticipate,” “estimate,” “believe,” “expect,” “may,” “plan,” “consider,” “should,” “would,” and “will.” Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources.

Purchasers of our Offer Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Company’s plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the GEM Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this prospectus 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 this prospectus or any statement herein misleading.

### **INFORMATION ON THE SHARE OFFER**

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus, on the terms and subject to the conditions set out herein. No person in connection with the Share Offer is authorised to give any information, or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriter, and any of their respective directors, agents, employees or advisers or any other party involved in the Share Offer.

Details of the structure of the Share Offer, including its conditions, are set out in “Structure and Conditions of the Share Offer” in this prospectus, and the procedures for applying for the Public Offer Shares are set out in “How to Apply for Public Offer Shares” in this prospectus and the relevant Application Forms.

### **UNDERWRITING**

This prospectus is published solely in connection with the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms contain the terms and conditions of the Public Offer.

The Listing is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriter under the terms of the Public Offer Underwriting Agreement and the Placing is expected to be fully underwritten by the Placing Underwriter pursuant to the Placing Underwriting Agreement. The Share Offer is managed by the Sole Lead Manager.

### **RESTRICTIONS ON OFFER OF OFFER SHARES**

Each person acquiring the Offer Shares will be required to confirm or by his/her/its acquisition or subscription of the Offer Shares will be deemed to confirm that he/she/it is aware of the restrictions on the offer of the Offer Shares described in this prospectus. Save as mentioned above, no action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Share Offer in any jurisdiction other than Hong Kong or, in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under any applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions.

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriter, any of our or their respective directors, officers, employees, agents, representatives or any other person or party involved in the Share Offer.

### **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

See “Structure and Conditions of the Share Offer” in this prospectus for further details of the structure and conditions of the Share Offer.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Our Company has applied to the Stock Exchange for the granting of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Share Offer (including any additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option) and Shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme. Dealings in the Shares on GEM are expected to commence on Monday, 16 October 2017.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the application lists or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Stock Exchange then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times after the Listing, our Company must maintain the “minimum prescribed percentage” of 25% or such applicable percentage of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

Save as disclosed in this prospectus, no part of our share capital or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the Stock Exchange granting the listing of, and permission to deal in, our Shares on GEM and we complying with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the general rules of

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

CCASS and CCASS operational procedures in effect from time to time. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

### **HONG KONG BRANCH SHARE REGISTER AND STAMP DUTY**

All Shares issued by us pursuant to applications made in the Share Offer will be registered on our register of members to be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, in Hong Kong. Our principal register of members will be maintained by our principal registrar, Conyers Trust Company (Cayman) Limited in the Cayman Islands.

No stamp duty is payable by applicants in the Share Offer.

Dealings in the Shares registered on our register of members in Hong Kong will be subject to Hong Kong stamp duty.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriter, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

### **EXCHANGE RATE CONVERSION**

Solely for your convenience, this prospectus contains translations of certain (i) RM and VND amounts into Hong Kong dollars, or vice versa; and (ii) VND amounts into RM, or vice versa, at a specified rate. Unless we indicate otherwise, the translations of (a) RM into Hong Kong dollars and vice versa have been made at the rate of RM1.00 to HK\$1.84; (b) VND into Hong Kong dollars and vice versa have been made at the rate of VND1,000 to HK\$0.34; and (c) VND into RM and vice versa have been made at the rate of VND1,000 to RM0.19 in this prospectus. The exchange rates adopted represent the average daily exchange rates for the 30 days immediately preceding the Latest Practicable Date. No representation is made that any amount in RM, VND or Hong Kong dollars can be or could be, or have been, converted at the above rate or any other rate or at all.

### **LANGUAGE**

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail.

### **ROUNDING**

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### DIRECTORS

| Name | Address | Nationality |
|------|---------|-------------|
|------|---------|-------------|

#### *Chairman and non-executive Director*

|                     |                                                                                                                     |           |
|---------------------|---------------------------------------------------------------------------------------------------------------------|-----------|
| Dato' Lim Heen Peok | 21, Pinggiran Golf Bungalows, Laman Saujana 3<br>Saujana Resort Seksyen U2<br>40150 Shah Alam, Selangor<br>Malaysia | Malaysian |
|---------------------|---------------------------------------------------------------------------------------------------------------------|-----------|

#### *Executive Directors*

|                     |                                                                                  |           |
|---------------------|----------------------------------------------------------------------------------|-----------|
| Mr. Cheah Eng Chuan | 3 Jalan Bukit Seputeh<br>1 TMN Seputeh Heights<br>58000 Kuala Lumpur<br>Malaysia | Malaysian |
|---------------------|----------------------------------------------------------------------------------|-----------|

|                   |                                                                                                     |           |
|-------------------|-----------------------------------------------------------------------------------------------------|-----------|
| Mr. Tan Chuan Dyi | 17 Jalan Tasik, 7 Lake Fields<br>Taman Tasik Damai<br>Sungai Besi<br>57000 Kuala Lumpur<br>Malaysia | Malaysian |
|-------------------|-----------------------------------------------------------------------------------------------------|-----------|

|                      |                                                                                 |           |
|----------------------|---------------------------------------------------------------------------------|-----------|
| Dato' Lua Choon Hann | B-19-08 Marc Residence<br>No. 3, Jalan Pinang<br>50450 Kuala Lumpur<br>Malaysia | Malaysian |
|----------------------|---------------------------------------------------------------------------------|-----------|

#### *Independent non-executive Directors*

|                 |                                                                         |           |
|-----------------|-------------------------------------------------------------------------|-----------|
| Mr. Ho Ming Hon | 7, Jalan Mandarina 2<br>Bukit Mandarina<br>56000 Kuala Lumpur, Malaysia | Malaysian |
|-----------------|-------------------------------------------------------------------------|-----------|

|                         |                                                                                                                |           |
|-------------------------|----------------------------------------------------------------------------------------------------------------|-----------|
| Dato' Sri Wee Jeck Seng | No.11A, Jalan Sungai Besi Indah 2/10<br>Taman Sungai Besi Indah<br>43300 Seri Kembangan,<br>Selangor, Malaysia | Malaysian |
|-------------------------|----------------------------------------------------------------------------------------------------------------|-----------|

|                         |                                                   |           |
|-------------------------|---------------------------------------------------|-----------|
| Dato' Dr. Hou Kok Chung | 4, Jalan 17/35<br>46400 Petaling Jaya<br>Malaysia | Malaysian |
|-------------------------|---------------------------------------------------|-----------|

See “Directors and Senior Management” in this prospectus for more information on our Directors and members of senior management.



## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### PARTIES INVOLVED IN THE SHARE OFFER

**Sole Sponsor**

**Shenwan Hongyuan Capital (H.K.) Limited**

*A corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO*

Level 19, 28 Hennessy Road  
Hong Kong

**Sole Global Coordinator, Sole Bookrunner  
and Sole Lead Manager**

**Yuanta Securities (Hong Kong) Company Limited**

*A corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO*

23/F  
Tower 1  
Admiralty Centre  
18 Harcourt Road  
Admiralty  
Hong Kong

**Legal Advisers to our Company**

*As to Hong Kong Law*

**Chiu & Partners**

*Solicitors, Hong Kong*  
40th Floor, Jardine House  
1 Connaught Place  
Hong Kong

*As to Cayman Islands Law*

**Conyers Dill & Pearman**

*Cayman Islands attorneys-at-law*  
Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*As to British Virgin Islands Law*

**Conyers Dill & Pearman**

*British Virgin Islands attorneys-at-law*  
29th Floor  
One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

*As to Malaysian Law*

**Peter Ling & van Geyzel**

*Advocates & Solicitors, Malaysia*  
B-19-4, Tower B, Northpoint Office Suites  
Mid Valley City, No. 1 Medan Syed Putra Utara  
59200 Kuala Lumpur

|                                                                 |
|-----------------------------------------------------------------|
| <p><b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b></p> |
|-----------------------------------------------------------------|

|                                                               |                                                                                                                                                                                                                                         |
|---------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                               | <p><i>As to Vietnamese Law</i><br/> <b>RHTLaw Taylor Wessing Vietnam</b><br/> <i>Solicitors, Vietnam</i><br/> Unit 1101, 11th Floor<br/> Sofitel Central Plaza<br/> 17 Le Duan Boulevard, District 1<br/> Ho Chi Minh City, Vietnam</p> |
|                                                               | <p><i>As to International Sanctions</i><br/> <b>DLA Piper UK LLP</b><br/> <i>Solicitors, England and Wales</i><br/> 3 Noble Street<br/> London EC2V 7EE<br/> United Kingdom</p>                                                         |
| <b>Legal Advisers to the Sole Sponsor and the Underwriter</b> | <p><i>As to Hong Kong law</i><br/> <b>Deacons</b><br/> <i>Solicitors, Hong Kong</i><br/> 5th Floor, Alexandra House<br/> 18 Chater Road<br/> Hong Kong</p>                                                                              |
| <b>Auditor and Reporting Accountant</b>                       | <p><b>BDO Limited</b><br/> <i>Certified Public Accountants</i><br/> 25th Floor Wing On Centre<br/> 111 Connaught Road Central<br/> Hong Kong</p>                                                                                        |
| <b>Industry Consultant</b>                                    | <p><b>Frost &amp; Sullivan International Limited</b><br/> 1706, 1 Exchange Square<br/> No. 8 Connanght Place<br/> Central, Hong Kong</p>                                                                                                |
| <b>Property Valuer</b>                                        | <p><b>Greater China Appraisal Limited</b><br/> <i>Property valuer</i><br/> Room 2703, Shui On Centre<br/> 6–8 Harbour Road<br/> Wanchai<br/> Hong Kong</p>                                                                              |
| <b>Receiving bank</b>                                         | <p><b>Standard Chartered Bank (Hong Kong) Limited</b><br/> 15th Floor, Standard Chartered Tower<br/> 388 Kwun Tong Road<br/> Hong Kong</p>                                                                                              |

## CORPORATE INFORMATION

|                                                                               |                                                                                                                                                                                                                                         |
|-------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Registered office in Cayman Islands</b>                                    | Cricket Square, Hutchins Drive<br>PO Box 2681<br>Grand Cayman KY1-1111<br>Cayman Islands                                                                                                                                                |
| <b>Headquarters</b>                                                           | Lot 1883, Jalan KPB9<br>Kg. Bharu Balakong<br>43300 Seri Kembangan<br>Selangor<br>Malaysia                                                                                                                                              |
| <b>Principal place of business in Hong Kong</b>                               | 31st Floor, 148 Electric Road<br>North Point<br>Hong Kong                                                                                                                                                                               |
| <b>Company website</b>                                                        | <u><a href="http://www.furniweb.com.my">www.furniweb.com.my</a></u><br><i>(Note: information on this website does not form part of the prospectus)</i>                                                                                  |
| <b>Company secretary</b>                                                      | Mr. Kwok Siu Man<br><i>(Fellow of The Hong Kong Institute of Chartered Secretaries)</i><br>31st Floor, 148 Electric Road<br>North Point<br>Hong Kong                                                                                    |
| <b>Authorised Representatives (for the purposes of the GEM Listing Rules)</b> | Mr. Tan Chuan Dyi<br>17 Jalan Tasik, 7 Lake Fields<br>Taman Tasik Damai<br>Sungai Besi<br>57000 Kuala Lumpur<br>Malaysia<br><br>Dato' Lua Choon Hann<br>B-19-08 Marc Residence<br>No. 3, Jalan Pinang<br>50450 Kuala Lumpur<br>Malaysia |
| <b>Compliance Officer</b>                                                     | Mr. Tan Chuan Dyi                                                                                                                                                                                                                       |
| <b>Audit committee</b>                                                        | Mr. Ho Ming Hon ( <i>chairman</i> )<br>Dato' Dr. Hou Kok Chung<br>Dato' Sri Wee Jeck Seng                                                                                                                                               |
| <b>Remuneration committee</b>                                                 | Dato' Sri Wee Jeck Seng ( <i>chairman</i> )<br>Mr. Ho Ming Hon<br>Dato' Dr. Hou Kok Chung<br>Dato' Lua Choon Hann                                                                                                                       |
| <b>Nomination committee</b>                                                   | Dato' Dr. Hou Kok Chung ( <i>chairman</i> )<br>Mr. Ho Ming Hon<br>Dato' Sri Wee Jeck Seng<br>Mr. Cheah Eng Chuan                                                                                                                        |
| <b>Risk Management committee</b>                                              | Mr. Ho Ming Hon ( <i>chairman</i> )<br>Dato' Sri Wee Jeck Seng<br>Mr. Tan Chuan Dyi                                                                                                                                                     |
| <b>Compliance Adviser</b>                                                     | Shenwan Hongyuan Capital (H.K.) Limited                                                                                                                                                                                                 |

## CORPORATE INFORMATION

**Cayman Islands Principal Share Registrar  
and Transfer Agent**

**Conyers Trust Company (Cayman) Limited**  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

**Hong Kong Branch Share Registrar and  
Transfer Office**

**Tricor Investor Services Limited**  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

**Principal Banker(s)**

**Hong Leong Bank Berhad**  
Level 5, Wisma Hong Leong  
18 Jalan Perak  
50450 Kuala Lumpur  
Malaysia

**Public Bank Berhad**  
Jalan SS6/5B  
Dataran Glomac  
Pusat Bandar Kelana Jaya  
47301 Petaling Jaya  
Selangor  
Malaysia

**Public Bank Vietnam**  
Ho Chi Minh City Branch  
88 Nguyen Du  
Dist 1  
Ho Chi Minh City  
Vietnam

**Vietcombank**  
Bieu Hoa Branch  
No. 22, Road 3A  
Bien Hoa Industrial Zone 2  
Bien Hoa City, Dong Nai Province  
Vietnam

## INDUSTRY OVERVIEW

*The information contained in this section and elsewhere in this prospectus have been derived from various official government and other publications generally believed to be reliable and the market research report prepared by Frost & Sullivan which we commissioned.*

*We believe that the sources of such information and statistics are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. None of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriter or their respective directors, advisers (which, for the purpose of this paragraph, excludes Frost & Sullivan) and affiliates has independently verified such information and statistics and none of them gives any representation as to the accuracy of such information and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this section and elsewhere in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. As a result, you should not unduly rely upon such facts and statistics contained in this prospectus.*

### ECONOMY AND POPULATION OF MALAYSIA AND VIETNAM

Set out below are the key economic data and population of Malaysia and Vietnam:

|                             | Malaysia     |            |       | Vietnam      |            |       |
|-----------------------------|--------------|------------|-------|--------------|------------|-------|
|                             | (Historical) | (Forecast) |       | (Historical) | (Forecast) |       |
|                             |              | CAGR       | CAGR  |              | CAGR       | CAGR  |
|                             |              | 2011–      | 2016– |              | 2011–      | 2016– |
|                             | 2016         | 2016       | 2021  | 2016         | 2016       | 2021  |
| Nominal GDP (RM' billion)   | 1,229.4      | 6.2%       | 8.0%  | 835.1        | 10.1%      | 10.6% |
| Per Capita Nominal GDP (RM) | 38,830.0     | 4.4%       | 6.2%  | 9,014.3      | 9.0%       | 9.5%  |
| Population (million)        | 31.7         | 1.7%       | 1.6%  | 92.6         | 1.1%       | 1.0%  |

*Source: Frost & Sullivan*

Our products are mainly used by our downstream manufacturing customers in Malaysia, Vietnam and other overseas countries for producing a wide range of end products, such as apparels, intimate apparels, gloves, furniture and automobile seat belts. Domestic sales to customers in Malaysia and Vietnam accounted for 44.1%, 46.1% and 46.8% of our revenue for FY2015, FY2016 and 1Q2017, respectively. The end products of the downstream manufacturers in Malaysia and Vietnam are mainly exported to overseas countries. Therefore, the demand for our products is mainly driven by the global demand for the end products and while relevant, is less significantly affected by the general growth in economy and population of Malaysia and Vietnam.

Malaysia and Vietnam are amongst the lower cost countries in Asia. For example, the average monthly wage in Malaysia and Vietnam was RM2,463.0 and RM1,016.8 in 2016, respectively; whereas the average in Japan and PRC was RM8,788.3 and RM3,236.6, respectively. As such, there have been increasing number of manufacturers in the textile and automotive industries setting up their production bases in Malaysia and Vietnam whose production activities will generate increasing demand as well as

## INDUSTRY OVERVIEW

resulting in higher CAGRs for the demand of our kinds of products in these two countries than the global average from 2016 to 2021. Our Directors are of the view that because of our comparative advantages derived from, among other things, our (i) position as being the largest manufacturer of our elastic textile and webbing products in Malaysia and/or Vietnam in terms of revenue in 2016; (ii) comparatively large production capacity, diversified product portfolio and capability in product customisation which allow us to achieve economies of scale and fulfill our customers' varying requirements on order size and specifications; and (iii) high and consistent product quality, it is anticipated that our Group will remain as or likely be a preferred supplier to our existing or prospective customers and therefore the continuous industrial development in Malaysia and Vietnam as aforesaid will increase the demand for our Group's products.

The paragraphs below set out the factors that affect our business during the Track Record Period and in the foreseeable future.

### COVERED ELASTIC YARN INDUSTRY

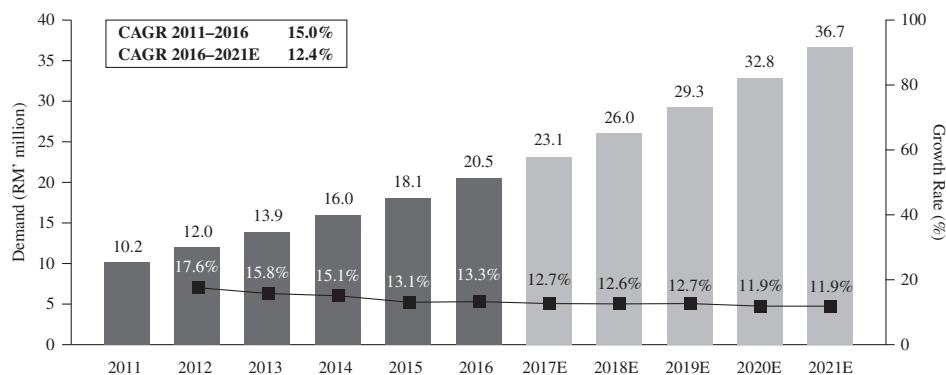
#### Key Features of CEY

Covered elastic yarn ("CEY") is the conventional covering of elastic core such as natural rubber threads or spandex with polyester, nylon, cotton and other yarn. It has high elasticity and is suitable for producing swimwear, socks, and narrow elastic fabric for undergarments, bandages and knitted gloves. Gloves and socks are the major downstream applications which accounted for 75.0% of the global CEY consumption in 2016. Fabric made of covered spandex yarn is widely accepted due to their comfortability, stretchability and easy-fitting.

We manufacture CEY in our production facilities in Malaysia and Vietnam.

#### Demand for CEY in Malaysia, Vietnam and Global Market

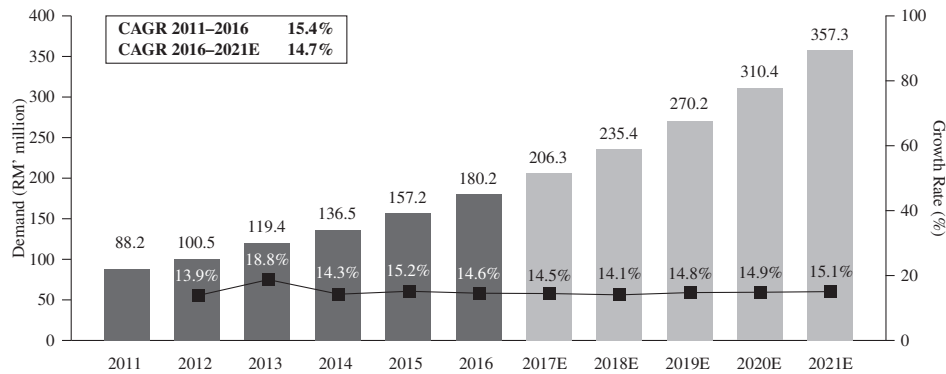
**CEY Demand in Malaysia, 2011–2021E**



Source: Frost & Sullivan

## INDUSTRY OVERVIEW

### Demand for CEY in Vietnam, 2011–2021E



Source: Frost & Sullivan

The growing demand for CEY in Malaysia and Vietnam is expected to continue to be driven by the following factors which contributed to its historical growth:

- An increasing number of textile manufacturers are setting up their production bases in Malaysia and Vietnam because of their competitive labour and land costs, especially in Vietnam, thereby generating rising demand for CEY.
- Continuous economic growth in Malaysia and Vietnam is driving surge in personal disposable income of their residents which generates rising demand for textile products.
- Due to the increasing production and domestic demand for textile products, the production value of the downstream textile industries in Malaysia and Vietnam increased by CAGRs of 12.9% and 13.7% from 2011 to 2016, respectively.

In addition to the above, the growth in demand for CEY in Malaysia and Vietnam is expected to be stimulated by the following key drivers:

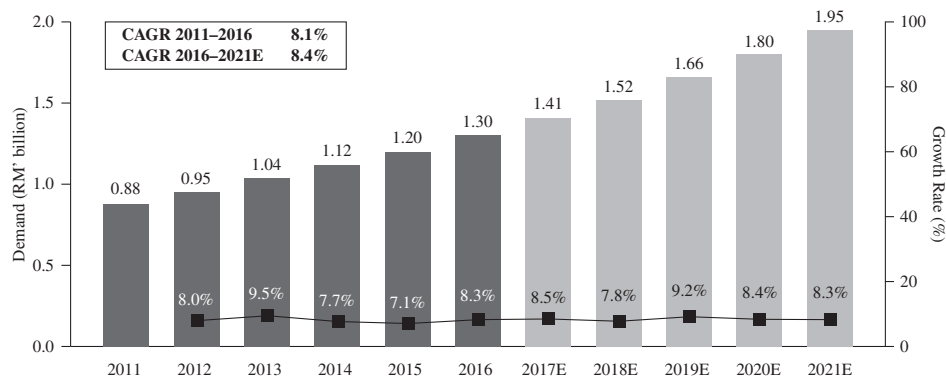
**Increasing demand in Southeast Asia:** Apart from Vietnam, industrial developments are also witnessed in other Asian countries such as Sri Lanka, India, Pakistan and Cambodia as a result of their lower cost environment. The increasing production volume of textile products, such as gloves, socks and knitted caps, will drive the demand for CEY in this region. As manufacturers usually prefer to source the raw materials locally or from nearby countries to reduce transportation costs, the growing demand in the region will therefore generate increasing business opportunities for CEY suppliers in Malaysia and Vietnam which have sufficient capacities.

**Undersupply of CEY in Vietnam:** The domestic supply of CEY in Vietnam is insufficient to meet the local demand and thus many textile manufacturers have to import CEY from other countries such as the PRC. Due to the development of its textile industry, Vietnam has become the largest CEY importer in the world, representing 24.4% of the total global import value in 2016. Accordingly, Vietnamese CEY manufacturers which are able to expand their production capacity to supply quality products will be able to capture more business opportunities.



## INDUSTRY OVERVIEW

### Global Demand for CEY, 2011–2021E



Source: Frost & Sullivan

The growing demand for CEY in the global market is expected to continue to be driven by the following factors which contributed to its historical growth:

- The rising population and disposable income is driving the global demand for different kinds of textile products such as gloves, socks and knitted caps which require CEY as raw material.
- Rising population and disposable income also fuels the demand for household gloves used in housekeeping and thermal gloves used for warm keeping. On the other hand, with growing awareness and tightening requirements on industrial safety in developing countries, the use of safety gloves by an increasing number of workers in industrial and construction sectors has driven the demand for industrial gloves. As a result, global gloves demand increased by a CAGR of 7.5% from US\$7.8 billion in 2011 to US\$11.2 billion in 2016, which further fuelled the demand for CEY.

### Future Opportunities of CEY Market

**Free trade agreements for Vietnam:** The Vietnam’s EU Free Trade Agreement (VEFTA) which became effective in December 2015 provides for, among other terms, (i) the reduction of the tariff between Vietnam and the European Union; and (ii) the encouragement of investment from the European Union to benefit the garment industry in Vietnam. Besides, the establishment of ASEAN Economic Community (“AEC”) is also expected to provide significant business opportunities for Vietnamese textile industry by introducing foreign investments and strengthening the cooperation among AEC members. In addition, Vietnam had become a member of the new AEC trade union in the end of 2015 which is expected to further open Vietnam’s textile industry to the markets with more than 600 million customers.

## INDUSTRY OVERVIEW

### Competitive Landscape

| Competitive Landscape of CEY Market<br>in Malaysia, 2016 |           |                                                       |                 | Competitive Landscape of CEY Market<br>in Vietnam, 2016 |           |                                                       |                 |
|----------------------------------------------------------|-----------|-------------------------------------------------------|-----------------|---------------------------------------------------------|-----------|-------------------------------------------------------|-----------------|
| Ranking                                                  | Company   | Production<br>value <sup>(Note)</sup><br>(RM Million) | Market<br>Share | Ranking                                                 | Company   | Production<br>value <sup>(Note)</sup><br>(RM Million) | Market<br>Share |
| 1                                                        | Our Group | 11.6                                                  | 31.8%           | 1                                                       | Our Group | 7.5                                                   | 24.2%           |
| 2                                                        | Company A | 4.4                                                   | 12.1%           | 2                                                       | Company C | 4.1                                                   | 13.2%           |
| 3                                                        | Company B | 2.7                                                   | 7.4%            | 3                                                       | Company D | 2.5                                                   | 8.1%            |
|                                                          | Others    | 17.8                                                  | 48.7%           |                                                         | Others    | 16.9                                                  | 54.5%           |
|                                                          | Total     | 36.5                                                  | 100.0%          |                                                         | Total     | 31.0                                                  | 100.0%          |

*Note: Production value represents the revenue from the respective manufacturers.*

*Source: Frost & Sullivan*

Malaysia's CEY market is fairly concentrated with the top three manufacturers occupying 51.3% market share in 2016 in terms of production value. There are around 20 manufacturers in Malaysia's CEY market by the end of 2016. Our Group, with the production value of RM11.6 million, ranked first and occupied 31.8% of market share in 2016.

The CEY market in Vietnam is concentrated with the top three manufacturers taking up 45.5% of market share in 2016 in terms of production value. There are around 10 to 15 manufacturers in Vietnam's CEY market by the end of 2016. Our Group, with the production value of RM7.5 million, ranked first and occupied 24.2% of market share in 2016.

In 2016, 47.4% and 18.2% of CEY produced in Malaysia and Vietnam was exported, respectively. In the same year, the two countries imported CEY amounting to RM1.3 million and RM154.8 million, respectively, to satisfy their domestic demand.

### NARROW ELASTIC FABRIC INDUSTRY

#### Key Features of Narrow Elastic Fabric

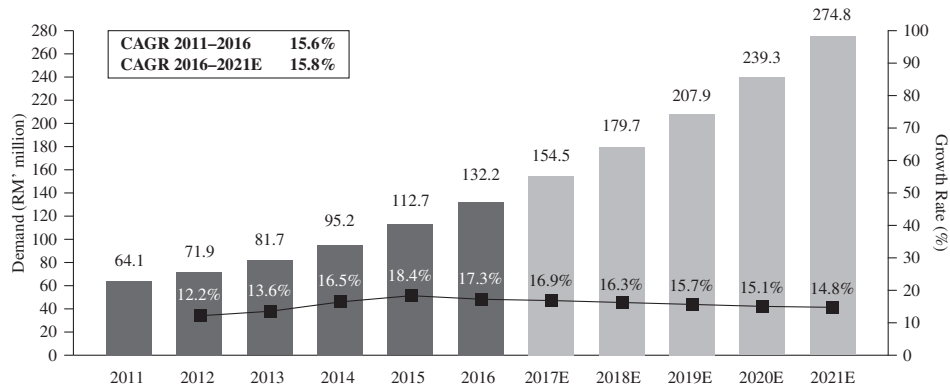
Narrow elastic fabric, being a type of narrow fabric which contains elastic materials such as spandex and natural rubber threads, has high elasticity and comfortableness and is used mainly in the production of intimate apparel. Narrow elastic fabrics usually account for 8% to 18% of the production cost of underwear.

We manufacture narrow elastic fabric in our production facility in Vietnam.

## INDUSTRY OVERVIEW

### Demand for Narrow Elastic Fabric in Vietnam and Global Market

#### Demand for Narrow Elastic Fabric in Vietnam, 2011–2021E



Source: Frost & Sullivan

The growing demand for narrow elastic fabric in Vietnam is expected to continue to be driven by the following factors which contributed to its historical growth:

- Increasing number of textile manufacturers are setting up their production facilities in Vietnam, among which include intimate apparel and bag manufacturers, which generate rising demand for narrow elastic fabric.
- Continuous economic growth in Vietnam generates rising demand from its residents for textile products, including intimate apparels.
- Due to the increasing production and domestic demand, the production value of intimate apparels in Vietnam increased by a CAGR of 11.4% from 2011 to 2016.

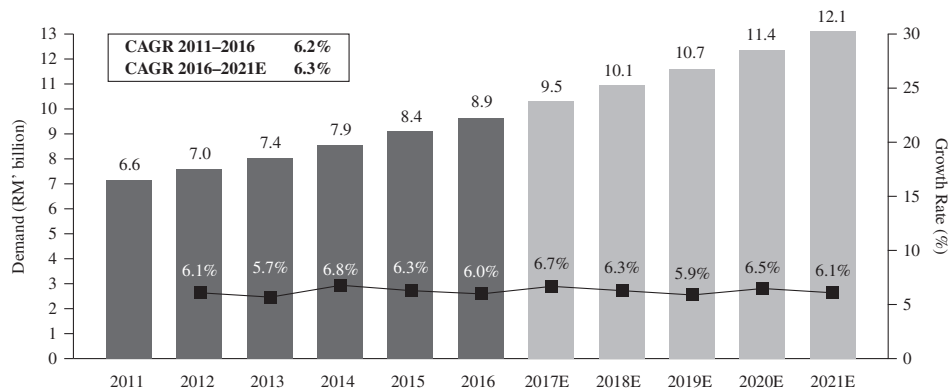
In addition to the above, the growth in demand for narrow elastic fabric in Vietnam is expected to be stimulated by the following key drivers:

**Rising demand for high quality intimate apparel:** The improving living standard will generate increasing global demand for higher quality intimate apparel, which is usually more expensive and produced with high-priced raw materials. This creates further business opportunities for manufacturers that supply CEY of broader range in quality and price.

**Increasing demand in Southeast Asia:** Similar to CEY, the increasing demand for narrow elastic fabric in this region will generate increasing business opportunities for suppliers in Vietnam.

## INDUSTRY OVERVIEW

### Global Demand for Narrow Elastic Fabric, 2011–2021E



Source: Frost & Sullivan

The global demand for narrow elastic fabric is expected to continue to be driven by the growing demand for intimate apparels resulting from the increasing population, urbanisation rate and disposable income of residents in developing countries. The global demand for intimate apparels grew at a CAGR of 6.7% from US\$270.3 billion in 2011 to US\$373.1 billion in 2016; and is expected to grow further at a CAGR of 7.2% from 2016 to 2021, reaching US\$528.7 billion in 2021.

### Future Opportunities of Narrow Elastic Fabric Market

**Rising demand for sportswear:** Along with economic growth, the general interest in health and well-being has increased in recent years. Accordingly, the demand for sportswear, such as running clothes, swimwear and yoga clothing has been rising and an increasing number of new and niche type of fashionable sportswear with superior materials has been developed in recent years. The market size of global sportswear has grown at a CAGR of 7.9% from US\$217.8 billion in 2011 to US\$318.4 billion in 2016; and is expected to growth further at a CAGR of 8.6% from 2016 to 2021, reaching US\$481.0 billion in 2021. U.S. is one of the countries that is expected to demonstrate increasing demand for sportswear in the future. Sportswear market in the U.S. experienced a steady growth at a CAGR of 6.1% from 2011 to 2016. Narrow elastic fabric is widely applied in sportswear. Growing popularity of sportswear is therefore expected to further fuel the demand for narrow elastic fabric.

**Free Trade Agreements for Vietnam:** See “Covered Elastic Yarn Industry — Future Opportunities of CEY Market — Free trade agreements for Vietnam” in this section for details.

### Competitive Landscape

#### Competitive landscape of Narrow Elastic Fabric Market in Vietnam, 2016

| Ranking | Company   | Production value <sup>(Note)</sup><br>(RM Million) | Market Share |
|---------|-----------|----------------------------------------------------|--------------|
| 1       | Our Group | 25.9                                               | 20.4%        |
| 2       | Company H | 19.9                                               | 15.7%        |
| 3       | Company I | 18.5                                               | 14.6%        |
|         | Others    | 62.5                                               | 49.3%        |
|         | Total     | 126.8                                              | 100.0%       |

Note: Production value represents the revenue from the respective manufacturers.

Source: Frost & Sullivan

## INDUSTRY OVERVIEW

Narrow elastic fabric market in Vietnam is fairly fragmented with around 100 manufacturers. There are a lot of small-sized companies. The top three manufacturers occupied 50.7% of market share in 2016 in terms of production value. Our Group, with a production value of RM25.9 million, ranked first with 20.4% of market share in 2016.

In 2016, 13.3% of narrow elastic fabric produced in Vietnam was exported. In the same year, Vietnam imported narrow elastic fabric amounted to RM22.3 million to satisfy its domestic demand.

### FURNITURE WEBBING INDUSTRY

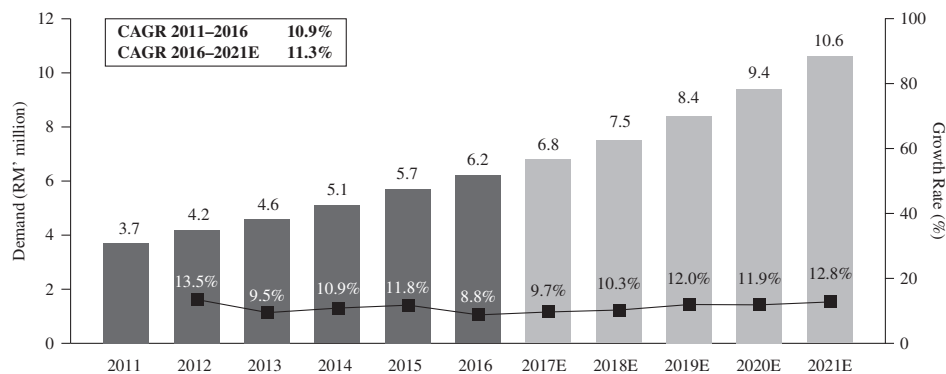
#### Key Features of Furniture Webbing

Furniture webbing is an elastic webbing weaved from natural rubber threads and polypropylene threads, and are used in various types of furniture such as armchairs and sofas. It is normally used as the supportive foundation in the seating area upon which cushions are placed or as back support. Furniture webbing usually requires different elongation or different elasticity, with the strength of these physical properties varies across different applications. Furniture webbing usually accounts for up to 3.0% of the total cost of furniture.

We manufacture furniture webbing in our production facilities in Malaysia and Vietnam.

#### Demand for Furniture Webbing in Malaysia, Vietnam and Global Market

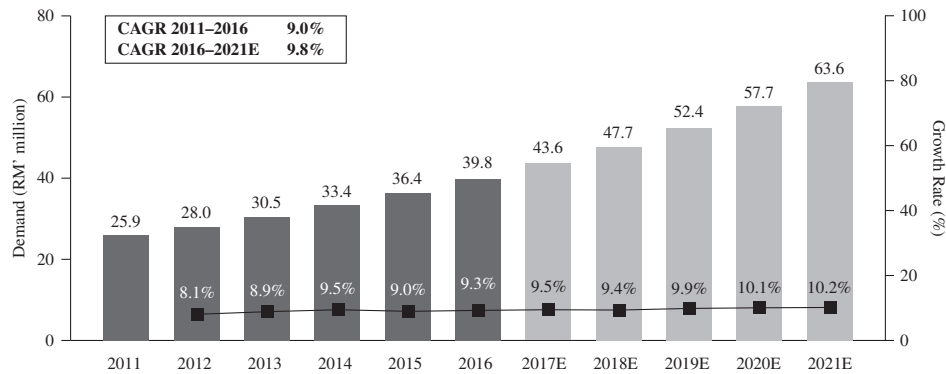
**Demand for Furniture Webbing in Malaysia, 2011–2021E**



Source: Frost & Sullivan

## INDUSTRY OVERVIEW

### Demand for Furniture Webbing in Vietnam, 2011–2021E

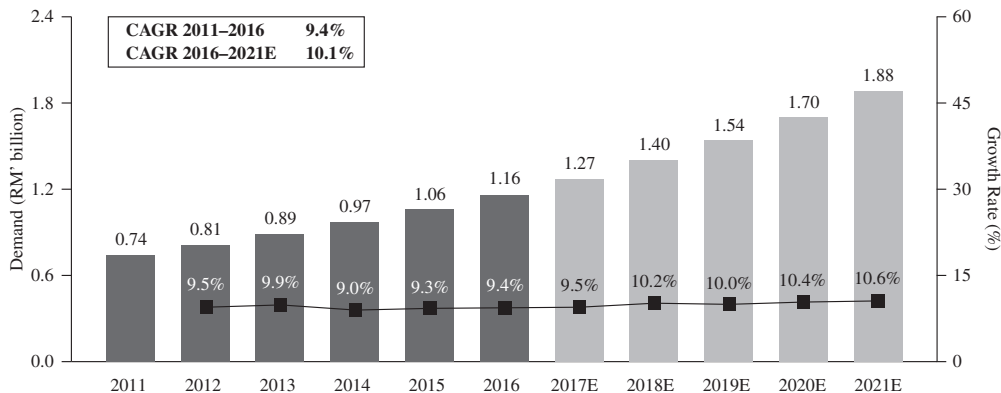


Source: Frost & Sullivan

The growing demand for furniture webbing in Malaysia and Vietnam is expected to continue to be driven by the following factors which contributed to its historical growth:

- Coupled with increasing global demand for furniture, the improving living standard of Malaysian residents because of increasing personal income and urbanisation rate results in rising demand and consumption of furniture products. Production value of furniture industry in Malaysia increased by a CAGR of 9.4% from 2011 to 2016, which is a demand driver for furniture webbing in this country.
- Increasing number of furniture manufacturers setting up their production base in Vietnam, coupled with rising personal income and urbanisation rate in Vietnam, have driven the development of furniture industry in this country. As a result, production value of furniture industry in Vietnam increased by a CAGR of 13.2% from 2011 to 2016, reaching RM30.3 billion in 2016. Approximately 20.0% to 30.0% of the furniture manufactured in Vietnam, such as upholstered chairs, sofas and beds, require furniture webbing as raw materials, driving the demand for furniture webbing.

### Global Demand for Furniture Webbing, 2011–2021E



Source: Frost & Sullivan

## INDUSTRY OVERVIEW

Production value of furniture industry worldwide increased by a CAGR of 9.3% from US\$340.2 billion in 2011 to US\$529.9 billion in 2016, which is mainly attributable to the general economic growth, increasing urbanisation rate of developing countries and improving living standard. The factors that contributed to the historical growth are expected to remain effective. As a result, it is expected that the global production value for furniture will stably increase by a CAGR of 8.4% from 2016 to 2021, reaching US\$791.6 billion in 2021, continuously fuelling the global demand for furniture webbing in the future.

### Future Opportunities of Furniture Webbing Market

**Fast-changing furniture industry:** Specifications for furniture webbing products, such as size, width and strength, are changing more frequently due to faster change in furniture's design and variety in recent years. Therefore, furniture webbing manufacturers with capability to tailor-make products that meet the fast-changing and specific requirements of downstream customers shall be able to capture more business opportunities in the future.

### Competitive Landscape

| Competitive Landscape of Furniture Webbing Market in Malaysia, 2016 |           |                                                    |              | Competitive Landscape of Furniture Webbing Market in Vietnam, 2016 |           |                                                    |              |
|---------------------------------------------------------------------|-----------|----------------------------------------------------|--------------|--------------------------------------------------------------------|-----------|----------------------------------------------------|--------------|
| Ranking                                                             | Company   | Production value <sup>(Note)</sup><br>(RM Million) | Market Share | Ranking                                                            | Company   | Production value <sup>(Note)</sup><br>(RM Million) | Market Share |
| 1                                                                   | Our Group | 3.1                                                | 54.4%        | 1                                                                  | Our Group | 15.4                                               | 44.4%        |
| 2                                                                   | Company J | 1.3                                                | 22.8%        | 2                                                                  | Company L | 3.6                                                | 10.4%        |
| 3                                                                   | Company K | 0.8                                                | 14.0%        | 3                                                                  | Company M | 3.4                                                | 9.8%         |
|                                                                     | Others    | 0.5                                                | 8.8%         |                                                                    | Others    | 12.3                                               | 35.4%        |
|                                                                     | Total     | 5.7                                                | 100%         |                                                                    | Total     | 34.7                                               | 100%         |

*Note: Production value represents the revenue from the respective manufacturers.*

*Source: Frost & Sullivan*

Malaysia's furniture webbing market is highly concentrated with the top three manufacturers occupying 91.2% market share in 2016 in terms of production value. There are less than 10 manufacturers in Malaysia's furniture webbing market by the end of 2016, among which our Group ranked first with 54.4% market share in 2016.

The furniture webbing market in Vietnam is also concentrated with the top three manufacturers taking up 64.6% market share in 2016 in terms of production value. There are around 50 furniture webbing manufacturers in Vietnam by the end of 2016, among which our Group ranked first with 44.4% market share in 2016.

In 2016, 43.2% and 11.9% of furniture webbing produced in Malaysia and Vietnam, respectively, was exported. In the same year, the two countries imported furniture webbing which amounted to RM2.9 million and RM9.2 million, respectively, to satisfy their domestic demand.



## INDUSTRY OVERVIEW

### SEAT BELT WEBBING INDUSTRY

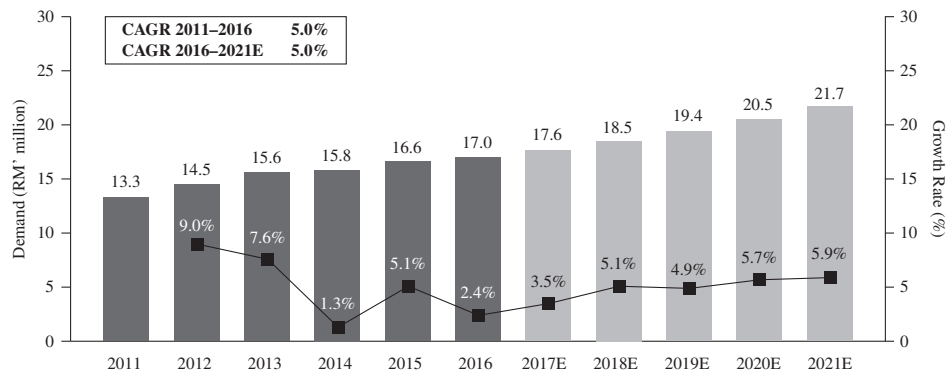
#### Key Features of Seat Belt Webbing

As a safety device designed to protect occupants on vehicles against injury in crashes, seat belt is a standard safety device for vehicles. Seat belt webbing is a type of weaved webbing with high tensile strength and is the key component for seat belts. Nowadays, synthetic fibres such as polyester high tenacity filament yarn which has high breaking strength are mainly used for the production of seat belt webbing. Seat belt webbing usually accounts for less than 5.0% of the total cost of seat belt system and less than 0.2% of the total automobile production cost.

We manufacture seat belt webbing in our production facility in Malaysia.

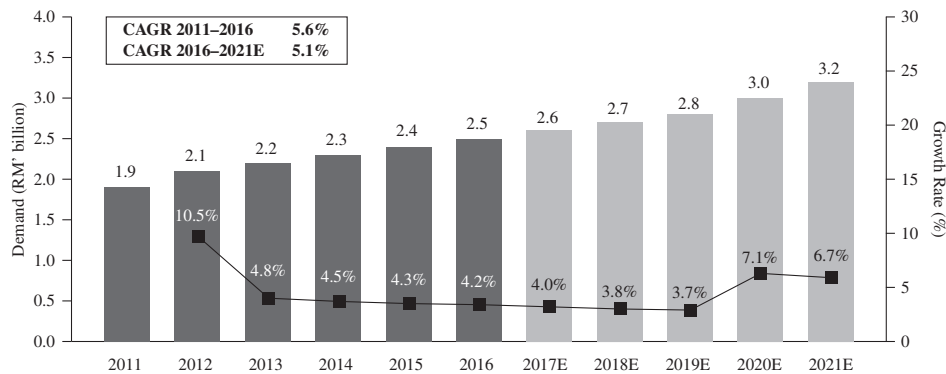
#### Demand for Seat Belt Webbing in Malaysia and Global Market

**Demand for Seat Belt Webbing in Malaysia, 2011–2021E**



Source: Frost & Sullivan

**Global Demand for Seat Belt Webbing, 2011–2021E**



Source: Frost & Sullivan

## INDUSTRY OVERVIEW

The demand for seat belt webbing was predominantly driven by the increasing demand from downstream automotive industry which was in turn boosted by growing economy and household income in Malaysia and worldwide. The production volume of automobile in Malaysia has been maintained at around 0.5 million units during 2011 and 2016 and the worldwide automobile production volume grew at a CAGR of 3.5% from 2011 to 2016. The growing trend is expected to continue, with the production volume of automobile in Malaysia and worldwide being projected to increase at CAGRs of 4.2% and 3.6% from 2016 to 2021, respectively. The global production volume of automobiles increased from 78.1 million units in 2011 to 92.8 million units in 2016, and is expected to increase to 110.6 million units in 2021.

The growth in demand for seat belt webbing in Malaysia is expected to be stimulated by the following key drivers:

**Increasing domestic automobile production capacity:** Taking advantage of the relatively low labour cost in Malaysia, an increasing number of foreign automakers have set up their automobile production facilities in Malaysia during the past several years while some of the major automakers in the world have plans to further expand their production facilities in Malaysia. The increase in automobile production capacity in Malaysia is therefore expected to create more demand for the seat belt webbing products in this country.

**Growing export opportunities:** The automobile production volume of certain Asian countries such as the PRC, Japan, India, Indonesia and Pakistan increased at CAGRs of 8.8%, 1.8%, 2.7%, 7.0% and 5.7% from 2011 to 2016, respectively. Increasing automobile production in Asian countries is expected to drive the demand for seat belt webbing and thus provide good export opportunities for seat belt webbing manufacturers in Malaysia.

### Future Opportunities of Seat Belt Webbing Market

**Growing automotive industry in South Korea:** South Korea is considered a key production base of automobile in the world with a production volume of 4.2 million units in 2016, representing 4.5% of global volume and ranked sixth in the world in that year. The production volume is projected to increase by a CAGR of 1.8% from 2016 to 2021, reaching 4.6 million units in 2021. Automobile production generates demand for seat belt systems and thus seat belt webbing. There are around 10 safety belt manufacturers in South Korea, with the top five accounting for approximately 70.0% market share (or revenue amounted to RM1.0 billion) in 2016, which are the major customers for seat belt webbing manufacturers. The market demand for seat belt webbing in South Korea is projected to increase from RM149.0 million in 2016 to RM167.0 million in 2021, representing a CAGR of 2.3%. In view of the demand for seat belt webbing in South Korea, there are business opportunities for Malaysian seat belt webbing manufacturers in this market.

## INDUSTRY OVERVIEW

### Competitive Landscape

#### Malaysia

Set out below are the production value and market share of major seat belt webbing manufacturers in Malaysia in 2016:

| Ranking | Company   | Production value <sup>(Note)</sup><br>(RM Million) | Market Share |
|---------|-----------|----------------------------------------------------|--------------|
| 1       | Our Group | 13.4                                               | 84.3%        |
| 2       | Company N | 1.0                                                | 6.3%         |
| 3       | Company O | 0.8                                                | 5.0%         |
|         | Others    | 0.7                                                | 4.4%         |
|         | Total     | 15.9                                               | 100.0%       |

*Note: Production value represents the revenue from the respective manufacturers.*

*Source: Frost & Sullivan*

Malaysia's seat belt webbing market is concentrated with the top three manufacturers taking up 95.6% market share in 2016 in terms of production value. There are around 10 seat belt webbing manufacturers in Malaysia by the end of 2016, among which our Group ranked first with 84.3% market share.

In 2016, 59.3% of seat belt webbing produced in Malaysia was exported. In the same year, Malaysia imported seat belt webbing which amounted to RM10.6 million to satisfy its domestic demand.

#### South Korea

Set out below are the production value and market share of major seat belt webbing manufacturers in South Korea in 2016:

| Ranking | Company   | Production value <sup>(Note)</sup><br>(RM Million) | Market Share |
|---------|-----------|----------------------------------------------------|--------------|
| 1       | Company P | 31.3                                               | 22.3%        |
| 2       | Company Q | 21.5                                               | 15.3%        |
| 3       | Company R | 17.4                                               | 12.4%        |
|         | Others    | 70.2                                               | 50.0%        |
|         | Total     | 140.4                                              | 100.0%       |

*Note: Production value represents the revenue from the respective manufacturers.*

*Source: Frost & Sullivan*

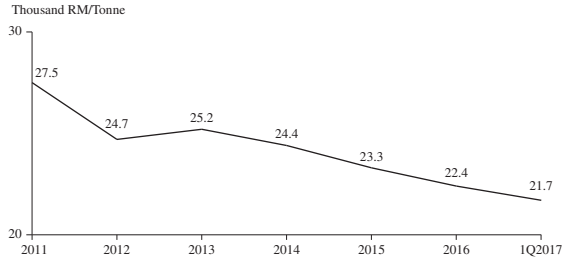
There are around 20 seat belt webbing manufacturers in South Korea, with the top three manufacturers taking up approximately 50.0% market share in terms of production value in 2016. Seat belt webbing customers in South Korea and other countries generally have similar requirements in quality standards as well as preference to procure from reputable suppliers with proven track record in providing quality products and services. South Korean customers generally have preference for domestically produced products. Nevertheless, overseas seat belt webbing manufacturers which have been selling to customers in South Korea will have advantages in further penetrating into this market.

## INDUSTRY OVERVIEW

### RAW MATERIAL PRICE ANALYSIS

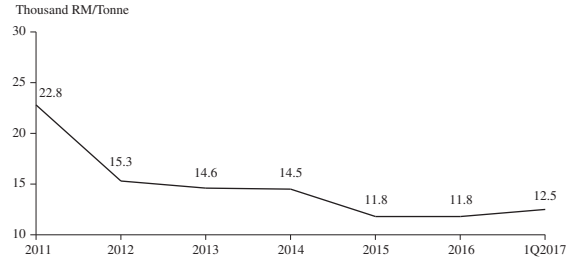
#### Raw Materials for CEY and Narrow Elastic Fabric

**Price Trend for Spandex, 2011–1Q2017**



Source: Frost & Sullivan

**Price Trend for Nylon Yarn, 2011–1Q2017**



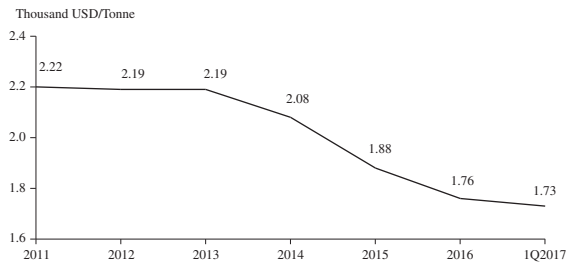
Source: Frost & Sullivan

Spandex and nylon yarn are the major raw materials for CEY and narrow elastic fabric. Polytetramethylene ether glycol (“PTMEG”) is a key raw material for the production of spandex. From 2013, the price of PTMEG witnessed a sustained drop, pulling down the price of spandex as well. From 2013 to 1Q2017, the price of spandex dropped from RM25,200 per tonne to RM21,700 per tonne.

The PRC is the largest producer of nylon yarn, the production volume of which increased at a CAGR of over 10.0% from 2011 to 2016. However, the growth of major downstream applications such as garments and carpets was moderate as compared to that of nylon yarn, resulting in oversupply of nylon yarn. As such, price of nylon yarn dropped from RM22,800 per tonne in 2011 to RM12,500 per tonne in 1Q2017.

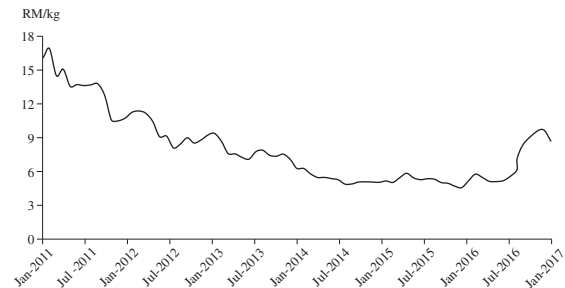
#### Major Raw Materials for Furniture Webbing

**Price Trend for Polypropylene Yarn, 2011–1Q2017**



Source: Frost & Sullivan

**Price Trend for Natural Rubber, 2011–1Q2017**



Source: Frost & Sullivan

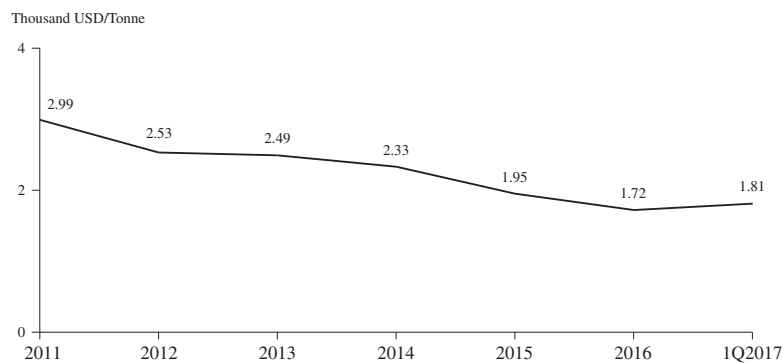
## INDUSTRY OVERVIEW

The major raw materials of furniture webbing are polypropylene yarn and rubber thread which is produced from natural rubber.

In recent years, the price of polypropylene yarn, which is a downstream product of petroleum, kept declining along with the falling price of oil. The price of polypropylene yarn declined from US\$2,220 per tonne in 2011 to US\$1,730 per tonne in 1Q2017. Influenced by oversupply of natural rubber in the Southeast Asia region, the price of natural rubber also showed a downward trend, decreasing from RM16.8 per kg in 2011 to RM5.1 per kg in the third quarter of 2016. Starting from the fourth quarter of 2016, the price of natural rubber witnessed a rebound and reached RM8.5 per kg in December 2016 as the supply of natural rubber from Thailand, being a key production base of natural rubber, decreased because of flooding.

### Major Raw Material for Seat Belt Webbing

#### Price Trend for Polyester High Tenacity Filament Yarn, 2011–1Q2017



Source: Frost & Sullivan

The major raw material for the production of seat belt webbing is polyester high tenacity filament yarn. As one of the derivative products of crude oil, polyester high tenacity filament yarn's price witnessed a drop along with the declining oil price, from approximately US\$2,990 per tonne in 2011 to about US\$1,810 per tonne in 1Q2017.

### ENTRY BARRIER ANALYSIS

**Oligopoly Market Structure:** The CEY, narrow elastic fabric, furniture webbing and seat belt webbing industries in Malaysia and/or Vietnam are concentrated with top three manufacturers occupying about/more than half of the market share. Those top players have established strong presence and business networks in the market. As a result, new entrants could hardly obtain purchase orders from customers within a short period of time under the fierce competition from existing established manufacturers who have already achieved economies of scale through large production capacity.

**Close Customer Relationship with Existing Customers:** Leading manufacturers of our principal products in Malaysia and Vietnam have already built up well-established relationships with existing customers. After long-term cooperation, these manufacturers are familiar with the requirements and sourcing processes of their customers. Also, to maintain the quality and consistency of raw materials, the customers usually choose suppliers with good reputation and track record and are unlikely to change their suppliers frequently. This poses a significant barrier to the new entrants.

## INDUSTRY OVERVIEW

In addition, automobile manufacturers have high and strict quality standards for seat belt webbing, such as breaking strength, resistance to abrasion and light. This poses high barrier for new entrants as seat belt manufacturers prefer sourcing seat belt webbing from suppliers whom they have long business relationship and with proven track record in high and consistent quality. Also, due to the vehicle design process, the lag time between submission of the seat belt design and actual bulk production could be up to two years. Thus, it is difficult for new entrants to challenge the existing manufacturers in a short period of time and the new entrants may therefore require substantial financial resources to fund their operations at the early stages.

**Skilled and Experienced Labour Force:** Textile industry is a labour-intensive industry, requiring a large number of skilled workers to operate the production lines. Although there is abundant supply of labour in Vietnam, the shortage of skilled and experienced workers is one of the restraints in Vietnam. Leading manufacturers have the resources to train and retain skilled employees and management staff. For the new entrants, the recruitment, training and retention of the skilled workers become a challenge for them.

**Quality Control:** The quality of raw materials is always important for textile and garment manufacturers. Depending on product application, quality certificates such as Oeko-Tex Standard 100 and ISO9001 are usually required by customers, especially for larger downstream manufacturers. Oeko-Tex Standard 100 is widely used in the textile industry as a global standard for testing harmful substances. The seat belt webbing market is characterised by stringent qualification processes and standards, such as Automotive ISO/TS 16949. Seat belt webbing manufacturers need to comply with strict testing and inspection procedures as well as industry-specific quality standards. The new entrants to the industry have to spend time and resources to meet such quality standards and obtain such certification before being able to compete with the existing manufacturers.

## THREATS AND CHALLENGES

### Continuous Increase in Labour Cost

Textile manufacturers in Malaysia and Vietnam have been deriving their competitive strengths from, among other things, lower cost environment such as labour cost. However, the governments of these two countries intend to enhance the livelihood and living standard of their residents by way of, among other measures, increasing the minimum wage for workers. For example, the average minimum wage in Malaysia and Vietnam increased by 11.1% and 12.5% in 2016, respectively. The continuous rise in labour costs will eventually erode the cost advantage of Malaysia and Vietnam over other countries which may adversely affect the profitability and competitiveness of manufacturers in these two countries.

## COMPETITIVE ADVANTAGE ANALYSIS

### Leading market position in Malaysia and Vietnam

In 2016, in terms of the production value, our Group is the largest manufacturer of (i) furniture webbing and CEY in both Vietnam and Malaysia; (ii) seat belt webbing in Malaysia; and (iii) narrow elastic fabric in Vietnam. Riding on our Group's leading position in these market segments, we established strong market recognition and brand reputation. Our large production capacity provides us with the capability in accepting sales orders of various sizes and fulfilling large orders in a timely manner on one hand; while on the other hand allows us to centralise our raw material purchase and achieve more efficient sharing of overheads and management resources within our Group, which translates to greater economies of scale.

## INDUSTRY OVERVIEW

### **Diversified product lines and sales location**

We have a diversified product mix. During the Track Record Period, we have sold our products to more than 600 customers in over 30 countries in Asia, Europe, North America and in the rest of the world. Our breadth of product offerings and diversified customer base in different industries and geographical locations reduce our reliance on specific types of customer and industry, and enable us to expand our customer network in different industries and countries.

### **Ability to customise products**

The downstream industries which our customers belong to are highly competitive. Our customers need to be responsive to the fast-changing fashion trends and may keep launching new products. Thus, customers may from time to time change their product specifications in, among other things, width, colour, style and strength. The ability to produce customised products becomes increasingly important in order to fulfil these changing requirements. Our know-how in customisation is gained through our long operating history and industry experience. This ability provides us the opportunity to further expand our customer base in the future.

### **THE TRANS-PACIFIC PARTNERSHIP**

The TPP was intended to be a trade agreement among Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam. The aim of the TPP was to lower tariff and non-tariff trade barriers and thus promote trading activities among the participating countries. The framework agreement of TPP was signed by the participating countries on 4 February 2016 in Auckland, New Zealand. Thereafter, each of the participating countries has to go through, among other things, various administrative or legislative procedures and commercial negotiations either on its own or with other participating countries. As at the Latest Practicable Date, none of the trade promotion measures proposed by the TPP, if any, had been in force since the signing of the aforesaid framework agreement. It remains uncertain as to whether the TPP would finally come into effect, and if so, when it would become effective. The chance of successfully concluding and implementing the TPP becomes more uncertain when the U.S. withdrew from its participation in the TPP in early 2017. However, the current status of the TPP and its eventual outcome should not have any negative impact on the participating countries nor the existing or future business operations of our Group because (i) the trade promotion measures proposed by the TPP, if any, have never been in force; and (ii) the withdrawal of the U.S. from the TPP and/or the revocation of TPP eventually (if materialised) will not adversely affect the existing or future business environments and trading activities among the U.S. and other participating countries. In light of the above, (i) Frost & Sullivan does not consider the current status of the TPP to be a risk factor to the industries relevant to our Group's operations; and (ii) for prudence sake, Frost & Sullivan has not considered the implementation of the TPP as a market driver and thus possible contributions from the TPP are not taken into account in the projection of future market size and growth rates in the industries relevant to our Group's operations as disclosed in this section.



## INDUSTRY OVERVIEW

### REPORT COMMISSIONED FROM FROST & SULLIVAN AND SOURCE OF INFORMATION

In connection with the Share Offer, we have commissioned Frost & Sullivan, an Independent Third Party, at a fee of RMB666,500 to conduct a study of the CEY industry, narrow elastic fabric industry, furniture webbing industry and seat belt webbing industry in Malaysia and Vietnam, as referred to in the Frost & Sullivan Report herein. Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. Frost & Sullivan services include technology research, independent market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. Frost & Sullivan has been covering the Southeast Asia markets since the 1990s. Frost and Sullivan has four offices in the Southeast Asia, including Malaysia and Vietnam and direct access to the most knowledgeable experts and market participants in the CEY industry, narrow elastic fabric industry, furniture webbing industry, seat belt webbing industry, and the meat netting and chicken loop industries in Malaysia and Vietnam.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) the economy of Malaysia and Vietnam is assumed to maintain steady growth across the forecast period; (ii) the social, economic and political environments of Malaysia and Vietnam are likely to remain stable in the forecast period; and (iii) key industry drivers are likely to continue to affect the market over the forecast period.

Our Directors confirm that, after making reasonable investigation, there has been no material adverse change in the market information since the date of the Frost & Sullivan Report and up to the Latest Practicable Date, which may qualify, contradict or have an impact in any material respect on the information in this section.

## REGULATORY OVERVIEW

### LICENCES, PERMITS AND REGISTRATIONS

The following table sets out a summary of the key licences, permits and registrations that are material and specific to our business operations in Malaysia and Vietnam:

| Licence/Permit/<br>Registration                                                                                                                            | Issuing/registration<br>authority                         | Holder/<br>Registrant | Major Activities Permitted                                                                                                                                                                                                                                                                                            | Date of issue/<br>registration | Expiry date (where<br>applicable) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-----------------------------------|
| <b>I. Malaysia</b>                                                                                                                                         |                                                           |                       |                                                                                                                                                                                                                                                                                                                       |                                |                                   |
| 1. Manufacturing Licence<br>(see paragraph A1 of the Malaysian Regulatory Overview below for the summary of the relevant laws and regulations)             | Ministry of International Trade and Industry of Malaysia  | FMSB (MY)             | (1) Produce covered elastic yarn, upholstery webbing, seat belt and rigid webbing at Lot 208, Jalan Sungai Besi, Batu 12, Kampung Baru Balakong, 43300 Cheras, Selangor, Malaysia (i.e. property no.1 mentioned in “Property Valuation Report” of Appendix III to this prospectus) (the “ <b>Lot 208 Property</b> ”). | (1) 27 May 1996                | Not applicable                    |
|                                                                                                                                                            |                                                           |                       | (2) Produce covered elastic yarn at Lot 1883, Jalan KPJ 9, Kampung Bharu Balakong, 43300 Seri Kembangan, Selangor, Malaysia (i.e. property no.3 mentioned in “Property Valuation Report” of Appendix III to this prospectus) (the “ <b>Lot 1883 Property</b> ”).                                                      | (2) 4 June 2010                | Not applicable                    |
| 2. Manufacturing Licence<br>(see paragraph A1 of the Malaysian Regulatory Overview below for the summary of the relevant laws and regulations)             | Ministry of International Trade and Industry of Malaysia  | FSWSB (MY)            | (1) Produce polyvinyl chloride coated webbing at the Lot 208 Property.                                                                                                                                                                                                                                                | (1) 22 October 2015            | Not applicable                    |
|                                                                                                                                                            |                                                           |                       | (2) Produce seat belt webbing at the Lot 208 Property.                                                                                                                                                                                                                                                                | (2) 12 May 2000                | Not applicable                    |
| 3. Manufacturing Licence<br>(see paragraph A1 of the Malaysian Regulatory Overview below for the summary of the relevant laws and regulations)             | Ministry of International Trade and Industry of Malaysia  | TMSB (MY)             | Produce rubber strips and square cut rubber threads at Lot 1908, Batu 7, Jalan Bukit Kemuning, Seksyen 34, 40470 Shah Alam, Selangor, Malaysia (i.e. property no.4 mentioned in “Property Valuation Report” of Appendix III to this prospectus) (the “ <b>Lot 1908 Property</b> ”).                                   | 4 September 2002               | Not applicable                    |
| 4. Scheduled Controlled Goods Permit<br>(see paragraph A5 of the Malaysian Regulatory Overview below for the summary of the relevant laws and regulations) | Ministry of Domestic Trade, Co-Operatives and Consumerism | FSWSB (MY)            | Purchase and store up to 10,000 kilogramme of liquefied petroleum gas as fuel for the heating systems of dyeing machines at the Lot 208 Property.                                                                                                                                                                     | 8 March 2017                   | 7 March 2018                      |
| 5. Scheduled Controlled Goods Permit<br>(see paragraph A5 of the Malaysian Regulatory Overview below for the summary of the relevant laws and regulations) | Ministry of Domestic Trade, Co-Operatives and Consumerism | TMSB (MY)             | Purchase and store up to 20,000 litres of diesel to be used as thermal oil for the burning process in manufacturing rubber strips and square cut rubber threads at the Lot 1908 Property.                                                                                                                             | 22 February 2017               | 21 February 2018                  |
| 6. Rubber licence<br>(see paragraph A7 of the Malaysian Regulatory Overview below for the summary of the relevant laws and regulations)                    | Malaysia Rubber Board                                     | TMSB (MY)             | Purchase and store rubber for manufacturing rubber-based products (such as rubber strips/sheets and square cut rubber threads) at the Lot 1908 Property.                                                                                                                                                              | 29 September 2017              | 28 September 2018                 |

## REGULATORY OVERVIEW

| Licence/Permit/<br>Registration                                                                                                                                                                 | Issuing/registration<br>authority        | Holder/<br>Registrant | Major Activities Permitted                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Date of issue/<br>registration | Expiry date (where<br>applicable) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-----------------------------------|
| 7. Permit to purchase, store and use of sodium hydroxide<br>(see paragraph A6 of the Malaysian Regulatory Overview below for the summary of the relevant laws and regulations)                  | Selangor State Health Department         | FSWSB (MY)            | Purchase and store up to (1) 8,000 kilogramme of solid sodium hydroxide and (2) 14,000 kilogramme of liquid sodium hydroxide for dyeing seat belt webbing and water treatment for the production of seat belt webbing at the Lot 208 Property.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 1 January 2017                 | 31 December 2017                  |
| 8. Approval for operating wastewater treatment plant<br>(see paragraph C2 of the Malaysian Regulatory Overview below for the summary of the relevant laws and regulations)                      | Selangor State Department of Environment | FSWSB (MY)            | Upgrade the wastewater treatment plant at the Lot 208 Property for water treatment for the production of seat belt webbing. The written approval is required to be displayed at the premises where operations are carried out at all times after the wastewater treatment plant has been upgraded.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 22 October 2008                | Not applicable                    |
| 9. Permit for temporary storage of scheduled wastes<br>(see paragraph C3 of the Malaysian Regulatory Overview below for the summary of the relevant laws and regulations)                       | Selangor State Department of Environment | FSWSB (MY)            | <p>(1) Store the following scheduled waste generated from the manufacturing process of seat belt webbing, furniture webbing and rigid webbing at the Lot 208 Property for a period of not more than 12 months:</p> <ul style="list-style-type: none"> <li>(i) spent lubricating oil;</li> <li>(ii) disposed containers, bags/equipment contaminated with chemicals, pesticides, mineral oil or scheduled wastes; and</li> <li>(iii) rags, plastics, papers or filters contaminated with scheduled wastes.</li> </ul> <p>(2) Store the following scheduled waste generated from the manufacturing process of seat belt webbing, furniture webbing and rigid webbing at the Lot 208 Property for a period of not more than 6 months:</p> <ul style="list-style-type: none"> <li>(i) sludges of inks, paints, pigments, lacquer, dye or varnish.</li> </ul> | 22 January 2015                | Not applicable                    |
| 10. Approval Certificate for installation of chimneys for dyeing machines<br>(see paragraph C4 of the Malaysian Regulatory Overview below for the summary of the relevant laws and regulations) | Selangor State Department of Environment | FMSB (MY)<br>(Note 1) | <p>Install 4 chimneys for the 2 dyeing machines located at the Lot 208 Property.</p> <p>The written approval is required to be displayed at the premises where operations are carried out at all times after the chimneys have been installed.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 27 November 2008               | Not applicable                    |
| 11. Registration for Medical Device Establishment                                                                                                                                               | US Food & Drug Administration ("FDA")    | TMSB (MY)             | Export non-pneumatic tourniquet produced with the medical device duly registered with the FDA of the United States of America.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 1 January 2017                 | 31 December 2017                  |

## REGULATORY OVERVIEW

| Licence/Permit/<br>Registration                                                                                                                                                      | Issuing/registration<br>authority                  | Holder/<br>Registrant | Major Activities Permitted                                                                                                                                                               | Date of issue/<br>registration             | Expiry date (where<br>applicable)      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|----------------------------------------|
| 12. Plant and Machinery<br>Certificates of Fitness<br>(see paragraph A4 of the<br>Malaysian Regulatory<br>Overview below for the<br>summary of the relevant<br>laws and regulations) | Department of<br>Occupational Safety<br>and Health | FMSB (MY)             | (1) Operate the oil separator located at the Lot 1883 Property that was issued with such certificate for the manufacturing process of covered elastic yarn.                              | 16 January 2017                            | 15 April 2018                          |
|                                                                                                                                                                                      |                                                    |                       | (2) Operate the air receiver located at the Lot 1883 Property that was issued with such certificate for the manufacturing process of covered elastic yarn.                               | 16 January 2017                            | 15 April 2018                          |
|                                                                                                                                                                                      |                                                    |                       | (3) Operate the 2 goods hoists located at the Lot 1883 Property that were issued with such certificates for the manufacturing process of covered elastic yarn.                           | (1) 16 January 2017<br>(2) 16 January 2017 | (1) 15 April 2018<br>(2) 15 April 2018 |
| 13. Plant and Machinery<br>Certificates of Fitness<br>(see paragraph A4 of the<br>Malaysian Regulatory<br>Overview below for the<br>summary of the relevant<br>laws and regulations) | Department of<br>Occupational Safety<br>and Health | FMSB (MY)<br>(Note 2) | (1) Operate the oil separator tank located at the Lot 208 Property that was issued with such certificate for the manufacturing process of furniture webbing and rigid webbing.           | 24 January 2017                            | 15 April 2018                          |
|                                                                                                                                                                                      |                                                    |                       | (2) Operate the 5 air receivers located at the Lot 208 Property that were issued with such certificates for the manufacturing process of furniture webbing and rigid webbing.            | (1) 24 January 2017                        | (1) 15 April 2018                      |
|                                                                                                                                                                                      |                                                    |                       |                                                                                                                                                                                          | (2) 24 January 2017                        | (2) 15 April 2018                      |
|                                                                                                                                                                                      |                                                    |                       |                                                                                                                                                                                          | (3) 24 January 2017                        | (3) 15 April 2018                      |
|                                                                                                                                                                                      |                                                    |                       |                                                                                                                                                                                          | (4) 24 January 2017                        | (4) 15 April 2018                      |
|                                                                                                                                                                                      |                                                    |                       |                                                                                                                                                                                          | (5) 24 January 2017                        | (5) 15 April 2018                      |
|                                                                                                                                                                                      |                                                    |                       | (3) Operate the air compressor receiver located at the Lot 208 Property that was issued with such certificate for the manufacturing process of furniture webbing and rigid webbing.      | 24 January 2017                            | 15 April 2018                          |
|                                                                                                                                                                                      |                                                    |                       | (4) Operate the 3 activated carbon filters located at the Lot 208 Property that were issued with such certificates for the manufacturing process of furniture webbing and rigid webbing. | (1) 24 January 2017                        | (1) 15 April 2018                      |
|                                                                                                                                                                                      |                                                    |                       |                                                                                                                                                                                          | (2) 24 January 2017                        | (2) 15 April 2018                      |
|                                                                                                                                                                                      |                                                    |                       |                                                                                                                                                                                          | (3) 24 January 2017                        | (3) 15 April 2018                      |
|                                                                                                                                                                                      |                                                    |                       | (5) Operate the goods hoist located at the Lot 208 Property that was issued with such certificate for the manufacturing process of furniture webbing and rigid webbing.                  | 24 January 2017                            | 15 April 2018                          |
|                                                                                                                                                                                      |                                                    |                       | (6) Operate the liquefied petroleum gas storage tank located at the Lot 208 Property that was issued with such certificate for the heating process for dyeing seat belts.                | 20 January 2017                            | 19 April 2018                          |

## REGULATORY OVERVIEW

| Licence/Permit/<br>Registration                                                                                                                                                      | Issuing/registration<br>authority                  | Holder/<br>Registrant | Major Activities Permitted                                                                                                                                                                 | Date of issue/<br>registration | Expiry date (where<br>applicable) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-----------------------------------|
| 14. Plant and Machinery<br>Certificates of Fitness<br>(see paragraph A4 of the<br>Malaysian Regulatory<br>Overview below for the<br>summary of the relevant<br>laws and regulations) | Department of<br>Occupational Safety<br>and Health | TMSB (MY)             | (1) Operate the 4 air receivers located at the Lot 1908 Property that were issued with such certificates for the manufacturing process of rubber tapes.                                    | (1) 19 July 2017               | (1) 17 October 2018               |
|                                                                                                                                                                                      |                                                    |                       |                                                                                                                                                                                            | (2) 19 July 2017               | (2) 17 October 2018               |
|                                                                                                                                                                                      |                                                    |                       |                                                                                                                                                                                            | (3) 19 July 2017               | (3) 17 October 2018               |
|                                                                                                                                                                                      |                                                    |                       |                                                                                                                                                                                            | (4) 19 July 2017               | (4) 17 October 2018               |
|                                                                                                                                                                                      |                                                    |                       | (2) Operate the air compressor receiver located at the Lot 1908 Property that was issued with such certificate for the manufacturing process of rubber tapes.                              | 19 July 2017                   | 17 October 2018                   |
|                                                                                                                                                                                      |                                                    |                       | (3) Operate the thermal oil heating autoclave located at the Lot 1908 Property that was issued with such certificate for heating up the thermal for the curing rubber tape curing process. | 19 July 2017                   | 17 October 2018                   |
|                                                                                                                                                                                      |                                                    |                       | (4) Operate the thermal oil heater located at the Lot 1908 Property that was issued with such certificate for heating up the thermal for the curing rubber tape curing process.            | 19 July 2017                   | 17 October 2018                   |
|                                                                                                                                                                                      |                                                    |                       | (5) Operate 3 vulcanisers located at the Lot 1908 Property that were issued with such certificates for the rubber tape curing process.                                                     | (1) 19 July 2017               | (1) 17 October 2018               |
|                                                                                                                                                                                      |                                                    |                       |                                                                                                                                                                                            | (2) 19 July 2017               | (2) 17 October 2018               |
|                                                                                                                                                                                      |                                                    |                       |                                                                                                                                                                                            | (3) 19 July 2017               | (3) 17 October 2018               |
|                                                                                                                                                                                      |                                                    |                       | (6) Operate the autoclave located at the Lot 1908 Property that was issued with such certificate for the rubber tape curing process.                                                       | 17 October 2016                | 11 January 2018                   |

### II. Vietnam

|                                                                                                                                                                      |                                                                      |            |                                                                                                                                                                                                                                                                                                                                                       |                 |                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Registration book of owner of hazardous waste (see paragraph C2 below of the Vietnamese Regulatory Overview for the summary of the relevant laws and regulations) | Department of Natural Resources and Environment of Dong Nai Province | PEWAV (VN) | Discharge registered waste such as waste ink, waste sludge, waste fluorescent lights, waste battery, waste mineral oil, containers of chemicals and dusts used for cleaning lubricant oil produced in the manufacturing of elastic webbing, high-grade raw materials, textile accessories for apparel and garment industry and elastic yarn products. | 7 May 2007      | Expire upon changes in the contents of the registration book of owner of hazardous waste (including the registered waste permitted to be discharged)           |
| 2. Registration book of owner of hazardous waste (see paragraph C2 below of the Vietnamese Regulatory Overview for the summary of the relevant laws and regulations) | Department of Natural Resources and Environment of Dong Nai Province | FVSC (VN)  | Discharge registered waste such as waste fluorescent lights, waste lubricant oil and dusts used for cleaning hazardous waste produced in the manufacturing of webbing and elastic yarn.                                                                                                                                                               | 11 October 2010 | Expire upon changes in the contents of the registration book of owner of hazardous waste (including the registered waste permitted to be discharged)applicable |

## REGULATORY OVERVIEW

| Licence/Permit/<br>Registration                                                                                                                                      | Issuing/registration<br>authority                                    | Holder/<br>Registrant | Major Activities Permitted                                                                                                                                                                                                                                                                                              | Date of issue/<br>registration | Expiry date (where<br>applicable)                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3. Registration book of owner of hazardous waste (see paragraph C2 below of the Vietnamese Regulatory Overview for the summary of the relevant laws and regulations) | Department of Natural Resources and Environment of Dong Nai Province | FCV (VN)              | Discharge registered waste such as metal sludge, waste oil, waste neon lights, waste lubricant oil, containers of lubricant oil and dusters used for cleaning hazardous waste produced in the manufacturing of recliner, steel bed frames and other recliner accessory from the shearing, cutting and stamping process. | 31 July 2007                   | Expire upon changes in the contents of the registration book of owner of hazardous waste (including the registered waste permitted to be discharged) |

### *Notes:*

1. The approval certificate for installation of chimneys for dyeing machines under Rule 38 of the Environmental Quality (Clean Air) Regulations 1978 was granted to FMSB (MY) as the registered owner of the Lot 208 Property, which is currently leased to FSWSB (MY) to carry out its business operations.
2. These Plant and Machinery Certificates of Fitness have been issued to FMSB (MY) as the registered owner of the Lot 208 Property, which is currently leased to FSWSB (MY) to carry out its business operations.

In relation to our licences, permits and registrations that are subject to periodic review and renewal, each of our respective Group members maintained a list recording details of such licences, permits and registrations obtained, including the conditions imposed in their grant/registration, their expiry dates and renewal requirements (where applicable). Our administrative staff had also been assigned to attend to and inform our management in a timely manner of any amendments to the renewal requirements as notified by relevant issuing/registration authorities or our legal advisers. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any refusal of renewal of our licences and permits that are necessary for our business operations.

## MALAYSIAN REGULATORY OVERVIEW

### A. Laws and Regulations Governing Our Group's Businesses

#### *A1. Industrial Co-ordination Act 1975*

The Industrial Co-ordination Act 1975 (Act 156 of the Laws of Malaysia) (“ICA”) requires manufacturing companies engaged in any manufacturing activity to obtain a manufacturing licence issued by the Ministry of International Trade and Industry (“MITI”) before engaging in any form of manufacturing activities. Any person who fails to comply with this requirement is guilty of an offence and is liable on conviction to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding six months and to a further fine not exceeding RM1,000 for every day during which such default continues.

Applications for manufacturing licences are to be submitted to the Malaysian Industrial Development Authority (“MIDA”), an agency under MITI in charge of the promotion and coordination of industrial development in Malaysia. The manufacturing licence issued by MITI is permanent, subject to revocation at the discretion of MITI if the licensee (i) fails to comply with any condition imposed in the licence; (ii) is no longer engaged in the manufacturing activity in respect of which the manufacturing licence is issued; or (iii) has made a false statement in its application for the manufacturing licence.

## REGULATORY OVERVIEW

During the Track Record Period, and up to the Latest Practicable Date, each of FMSB (MY), FSWSB (MY) and TMSB (MY) was required to hold and had held manufacturing licences issued by MITI.

### **A2. Local Government Act 1976 and By-Laws**

Local authorities are established under the Local Government Act 1976 (Act 171 of the Laws of Malaysia) (“**LGA**”) and the respective state ordinances and by-laws. Each local authority is a separate legal entity from the federal or state government or other local authorities. They are responsible for the local affairs based on the powers set by the federal or state government. The LGA empowers every local authority to grant any licence or permit for any trade, occupation or premises and such licence shall be subject to such conditions and restrictions as the local authority may prescribe.

Our Group carries on businesses in the district of Kajang and the city of Shah Alam, Malaysia and are therefore required to comply with the following by-laws:

#### *A.2.1 In respect of Group members carrying on businesses in Kajang, Malaysia:*

The LGA governs the Licensing of Trades, Businesses and Industries (Kajang Municipal Council) By-Laws 2007 (“**Kajang Municipal By-Laws**”). The Kajang Municipal By-Laws regulates the licensing in relation to trading of businesses and industrial matters carried out in Kajang.

Section 3 of the Kajang Municipal By-Laws states that no person shall operate any activity of trade, business and industry or use any place or premise in the local area of Kajang for any activity of trade, business and industry without a valid licence issued by the Kajang Municipal Council.

Section 6 of the Kajang Municipal By-Laws states that any licence issued unless sooner suspended or cancelled, shall remain in force from the date of the payment of the licence fee until 31 December of the current year.

Section 47 of the Kajang Municipal By-Laws further states that any person who contravenes any provisions of these Kajang Municipal By-Laws commits an offence and shall, on conviction be liable to a fine not exceeding RM2,000.00 or imprisonment for a term not exceeding 1 year or to both and in the case of a continuing offence, to a fine not exceeding RM200.00 for each day during which such offence is continued after conviction.

During the Track Record Period and up to the Latest Practicable Date, each of FMSB (MY) and FSWSB (MY) was required to hold and had held business licence issued by the Kajang Municipal Council.

#### *A.2.2 In respect of Group members carrying on businesses in Shah Alam, Malaysia:*

The LGA governs the Licensing of Trades, Businesses and Industries (Shah Alam City Council) By-Laws 2007 (“**Shah Alam By-Laws**”). The Shah Alam By-Laws regulates the licensing in relation to trading of businesses and industrial matters carried out in Shah Alam.

## REGULATORY OVERVIEW

Section 3 of the Shah Alam By-Laws states that no person shall operate any activity of trade, business and industry or use any place or premise in the local area of the Council for any activity of trade, business and industry without a licence issued by the Shah Alam Municipal Council.

Section 6 of the Shah-Alam By-Laws states that any licence unless sooner suspended or cancelled, shall remain in force from the date of the payment of licence fee until 31 December of the current year.

Section 47 of the Shah Alam By-Laws further states that any person who contravenes any provisions of these Shah Alam By-Laws commits an offence and shall, on conviction be liable to a fine not exceeding RM200 or to imprisonment for a term not exceeding 1 year or to both and in the case of continuing offence to a fine not exceeding RM200 for each day during which such offence is continued after conviction.

During the Track Record Period and up to the Latest Practicable Date, TMSB (MY) was required to hold and had held a business licence issued by the Shah Alam City Council.

### ***A3. Uniform Building By-Laws 1984***

The Uniform Building By-Laws 1984 (“**Uniform Building By-Laws**”) regulates the issuance of the Certificate of Fitness for occupation of a building. Section 25(1) of the Uniform Building By-Laws provides that a certificate of fitness for occupation of a building shall be given when (a) the qualified persons<sup>1</sup> during the course of the work have certified that they have supervised the erection of the building, that to the best of their knowledge and belief, the building has been constructed in accordance to the Uniform Building By-Laws and any other conditions imposed by the local authority if any; and (b) all essential services, including access roads, landscape, car parks, drains, sanitary, water and electricity installation, fire lifts, fire hydrant and others where required, sewerage and refuse disposal requirements have been provided for in the building. Upon the satisfaction of subparagraphs (a) and (b), the local authority shall issue the certificate of fitness for occupation to the qualified person within 14 days from the date of submission of the application for the issue of certificate of fitness for occupation and if the qualified person does not receive the certificate of fitness for occupation from the local authority within the prescribed period, the application for the certificate of fitness for occupation shall be deemed to have been approved. The certificate of fitness for occupation is issued to the owner of the building by the local authority.

During the Track Record Period, and up to the Latest Practicable Date, each of FMSB (MY) and TMSB (MY) was required to hold and had held valid certificates of fitness for occupation issued by the Kajang Municipal Council and Shah Alam City Council.

### ***A4. Factories and Machinery Act 1967***

The Factories and Machinery Act 1967 (Act 139 of the Laws of Malaysia) (“**FMA**”) regulates factories and machinery by way of registration and examination of such machinery to ensure the maintenance of health and safety standards, including the welfare of all parties involved. Section 36 of the FMA prohibits a person from installing or causing to be installed any machinery, except with the written approval of an Inspector of Factories and Machinery.

---

<sup>1</sup> Under the Uniform Building By-Laws, a qualified person means any architect, registered building draughtsman or engineer.



## REGULATORY OVERVIEW

Section 19(1) of the FMA prohibits a person from operating or causing or permitting to be operated any machinery in respect of which a certificate of fitness is required, unless there is in force in relation to the operation of the machinery a valid certificate of fitness issued under the FMA. In the event of any contravention of Section 19(1), an Inspector of Factories and Machinery shall forthwith serve upon the person aforesaid a notice in writing prohibiting the operation of the machinery or may render the machinery inoperative until such time as a valid certificate of fitness is issued.

Regulation 14 of the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970 provides that after an initial inspection, every factory and every machinery shall be inspected at regular intervals by an Inspector of Factories and Machinery so long as such factory remains in operation or such machinery remains in use. The regular interval shall ordinarily be 15 months subject to such extension not exceeding 36 months, and the regular inspection shall ordinarily be carried out during the 15 months following the month in which the last inspection was made or where the interval has been extended during the month following the expiry of the extended interval.

Any person who contravenes section 19 of the FMA shall be guilty of an offence and on conviction, be liable under section 51 of the FMA to a fine not exceeding RM5,000. Where the offence for which any person is convicted is a continuing offence, such person shall, in addition to the punishment in respect of that offence, be further liable to a fine not exceeding RM100 for each day or part of a day during which the offence continues after the first day in respect of which the conviction is recorded.

During the Track Record Period, and up to the Latest Practicable Date, each of FMSB (MY) and TMSB (MY) was required to hold and had held valid certificates of fitness licences issued by the Department of Occupational Safety and Health.

### ***A5. Control of Supplies Regulations 1974***

The Control of Supplies Act 1974 (Act 122 of the Laws of Malaysia) governs the Control of Supplies Regulations 1974 (PU(A) 103/1974) (“**Control of Supplies Regulations**”). The Control of Supplies Regulations regulates the control and rationing of supplies of any scheduled article stated under the Control of Supplies Regulations Schedule. Regulation 9(2) of the Control of Supplies Regulations provides that a wholesaler shall not sell any scheduled article, which includes the sale of liquefied petroleum gas and diesel, in which he is authorised to sell to any person other than to a wholesaler or retailer who is authorised to deal or purchase such scheduled article by wholesale or retail, as the case may be unless (a) he is authorised in writing by the Controller to sell the scheduled article to any purchaser or class of purchasers; or (b) the purchaser is authorised in writing by the Controller to purchase such scheduled article.

Regulation 21(1) of the Control of Supplies Regulations provides that any person who contravenes or fails to comply with, any provision of the Control of Supplies Regulations, or any direction given under these Control of Supplies Regulations, or the terms and conditions of any licence, written authority or permit granted, issued or renewed under these Regulations, shall be guilty of an offence. Section 22(2) of the Control Supplies Act 1974 states that any body corporate which commits an offence shall, on conviction be liable to a fine not exceeding RM2 million and, for a second or subsequent offence, to a fine not exceeding RM5 million.

## REGULATORY OVERVIEW

During the Track Record Period, and up to the Latest Practicable Date, each of FSWSB (MY) and TMSB (MY) was required to hold and had held valid Scheduled Control Goods Permit to purchase and store liquefied petroleum gas and diesel at their premises.

### ***A6. Poisons (Sodium Hydroxide) Regulation 1962***

Poisons Act 1952 (Act 366 of the Laws of Malaysia) (“**PA**”) governs the Poisons (Sodium Hydroxide) Regulation 1962 which regulates the purchase and usage of sodium hydroxide.

Regulation 3 of the Poisons (Sodium Hydroxide) Regulation 1962 states that a person who (a) sells sodium hydroxide to a purchaser who does not have a permit to purchase it or (b) buys a sodium hydroxide from a seller who does not hold a licence to sell it commits an offence.

Regulation 7 of the Poisons (Sodium Hydroxide) Regulation 1962 states that whoever contravenes the provisions of these Regulations commits an offence punishable under section 32 of the Poisons Act 1952.

Section 32(1) of the PA states that any person guilty of an offence against this Act, for which no other penalty is specifically provided by this Act or by any regulations made thereunder, shall be punishable by a fine not exceeding RM3,000 or by imprisonment for a term not exceeding 1 year or both. Provided that if the act or omission with which such person is charged is in the opinion of the court of such a nature as to amount to willful default or culpable negligence, which endangered or was likely to endanger human life, such person shall be liable, on conviction, to a fine not exceeding RM5,000 or to imprisonment for a term not exceeding 2 years or both.

Section 32(2) of PA states that where a person charged with an offence against this Act or of any regulation made thereunder is a body corporate, every person who, at the time of the commission of such offence, is a director or officer of such body corporate may be charged jointly in the same proceedings with such body corporate and where the body corporate is convicted of the offence charged, every such director or officer shall be deemed to be guilty of such offence unless he proves that the offence was committed without his knowledge or that he took reasonable precautions to prevent its commission.

During the Track Record Period, and up to the Latest Practicable Date, FSWSB (MY) was required to hold and had held a valid permit to purchase, store and use of sodium hydroxide licence at their premises.

### ***A7. Malaysian Rubber Board (Licensing and Permit) Regulations 2014***

The Malaysian Rubber Board (Incorporation) Act 1996 (Act 551 of the Laws of Malaysia) governs the Malaysian Rubber Board (Licensing and Permit) Regulations 2014 [P.U. (A) 119/2014] which regulates the purchase, storage, selling processing and export of rubber and rubber products in Malaysia. Regulation 3(1) provides that in order carry out such activities, the person must hold a valid licence. Regulation 3(2) further provided that in the event a person who contravenes Regulation 3(1) commits an offence and shall, on conviction, be liable to a fine not exceeding RM100,000 or imprisonment for a term not exceeding three years or to both.

During the Track Record Period, and up to the Latest Practicable Date, TMSB (MY) was required to hold and had held a valid rubber licence to buy and store rubber for the purposes of manufacturing rubber products at their premises.

### ***A8. Consumer Protection Act 1999***

The Consumer Protection Act 1999 (Act 599 of the Laws of Malaysia) (“**CPA**”) regulates the standards that a seller including but not limited to manufacturers must adhere to in order to protect the interest of consumers. The CPA protects consumers from, for example, misleading and deceptive conduct, false representation and unfair practice by sellers, business owners including but not limited to manufacturers, goods and services that do not comply with the required safety standards. In the event such issues occur, the consumer is entitled to make a claim against the seller including but not limited to the manufacturers to the Tribunal for Consumer Claims.

The seller and including but not limited to manufacturer can be fined up to a sum of RM250,000 and for a second or subsequent offence, a fine not exceeding RM500,000.

Under the CPA, there is no requirement for a licence or a permit.

## **B. Labour, Health and Safety Laws and Regulations**

### ***B1. Employment Act 1955***

The Employment Act 1955 (Act 265 of the Laws of Malaysia) (“**EA**”) regulates all labour relations including contracts of service, payment of wages, employment of women, rest days, hours of work, termination, lay-off and retirement benefits and keeping of registers of employees. It is administered by the Ministry of Human Resources and generally sets out the basic terms and conditions of employment and the rights and responsibilities of employers as well as employees to which the EA is applicable. In the event that an employee’s contract does not adhere to the minimum standards prescribed by the EA, the affected employee can lodge a complaint of non-compliance of the standards prescribed by the EA to the Director General of Labour, to bring the complaint of non-compliance to the Industrial Court. However, Section 20(1) of the Industrial Relations Act 1971 (Act 177 of the Laws of Malaysia) stipulates that there is a 60-day limitation period to bring a complaint of non-compliance to the Director General of Labour. The limitation period starts to run from the date of the contract containing the said terms.

Section 61 of the EA provides that every employer shall prepare and keep one or more registers containing such information regarding each employee employed by him as may be prescribed by regulations made under EA. Section 97, inter alia, provides that any employer who fails to keep a register required under section 61 EA commits an offence. Regulation 6 of the Employment Regulations 1957 (“**ER**”) also provides that every employer shall, unless otherwise permitted by the Director General of Labour, keep the register of employees required to be kept under ER in the office within the place of employment where employees are employed and shall make such register of employees available for inspection by the Director General of Labour as and when required to do so.

### ***B2. Employment (Restriction) Act 1968***

Section 5 of the Employment (Restriction) Act 1968 (Act 353 of the Laws of Malaysia) (“**ERA**”) prohibits a person from employing a non-citizen of Malaysia unless there has been issued in respect of that person a valid employment permit.

The employment of foreign workers is subject to the approval of the Ministry of Home Affairs Malaysia (“**MHAM**”), which imposes conditions, amongst other things, on the number, the positions, the duration of employment and the sources or country of origin of the foreign workers.

## REGULATORY OVERVIEW

Upon obtaining the approval from the MHAM, the company is required to submit applications for work permit and employment pass to the Foreign Workers Division, Immigration Department of Malaysia. The approval of the work permit and employment pass can be revoked if its conditions are contravened.

Section 18 of the ERA further provides that any person, who fails to comply with Section 5 shall be guilty of an offence and shall on conviction be liable to a fine not exceeding RM5,000 or imprisonment of a term not exceeding one year or both.

### ***B3. Employees' Provident Fund Act 1991***

The Employees Provident Fund Act 1991 (Act 452 of the Laws of Malaysia) ("**EPF Act**") of the Laws of Malaysia regulates and requires employees and their employers to contribute towards their retirement savings, and allows workers to withdraw these savings at retirement or for specified purposes before then.

Under Schedule 3 of the EPF Act, for employees who receive wages/salaries of RM5,000 and below the current contribution rate for employers is 13% of the employee's monthly salary. As for employees, who receive wages/salaries of RM5,000 and above, the current contribution rate for employers is 12%.

Section 43(2) of the EPF Act states that any employer who fails to contribute to the EPF Board on behalf of each of his employee shall be liable to an imprisonment term not exceeding 3 years or to a fine not exceeding RM10,000 or both.

### ***B4. Minimum Wages Order 2016***

The Minimum Wages Order 2016 of Malaysia ("**Minimum Wages Order**") provides that an employee shall be paid an average minimum wage of not less than RM1,000 per month or RM4.81 per hour in Peninsular Malaysia.

Failure to comply with the Minimum Wages Order is punishable under the National Wages Consultative Council Act 2011 (Act 732 of the Laws of Malaysia) ("**WCCA**"). An employer who fails to pay the basic wages as specified in the Minimum Wages Order to his employees commits an offence and shall, on conviction be liable to a fine of not more than RM10,000 for each employee and the court can also order the employer to pay each employee the difference between the minimum wage rate and the employee's wages as stated in Section 45 of the WCCA. In the case of a continuing offence, Section 46 of the WCCA states that any convicted person shall be liable in addition to any other penalty which is he liable for under the WCCA, shall be liable for a daily fine not exceeding RM1,000 for each day the offence continues after conviction. Under Section 47 of the WCCA, in the case of a repeated offence, the convicted person shall be liable for a fine not exceeding RM20,000 or to an imprisonment for a term not exceeding five years.

### ***B5. Employment (Limitation of Overtime Work) Regulations 1980***

The EA governs the Employment (Limitation Overtime Work) Regulations 1980. The Regulation regulates the overtime working hours of employees.

Regulation 2 of the Employment (Limitation of Overtime Work) Regulations 1980 states that no employer shall require or permit any employee to work overtime exceeding a total of 104 hours in a month.

## REGULATORY OVERVIEW

Section 60A(4)(a) of the EA states that the Director General of Labour, may permit any particular employee, or any group, class, category or description of employees in any particular industry, undertaking or establishment to work overtime in excess of the limit of hours so prescribed, subject to such conditions, if any, as he may deem proper to impose provided that a prior written application made to him by an employer or by an employee or group of employees is made prior to the said group of employees working overtime exceeding the permitted maximum overtime working hours.

In the event that there is a non-compliance with the EA and its regulations including but not limited to the Employment (Limitation of Overtime Work) Regulations 1980 wherein the employee is required to work more than the maximum overtime permitted as provided for in the Employment (Limitation of Overtime Work) Regulations 1980, the employee can make a complaint to the Director General of Labour within 60 days from the date of the non-compliance for his case to be brought formally to the Industrial Court pursuant to section 20(1) of the Industrial Relations Act. Once this 60-day limitation period has lapsed, the employee will no longer be able to bring the dispute to the Industrial Court.

Section 99A of the Employment Act provides that any person who commits any offence under, or contravenes any provision of, the Employment Act, or any regulations, order, or other subsidiary legislation whatsoever made thereunder, in respect of which no penalty is provided, shall be liable, on conviction, to a fine not exceeding RM10,000.

### ***B6. Occupational Safety and Health Act 1994***

The Occupational Safety and Health Act 1994 (Act 514 of the Laws of Malaysia) (“**OSHA**”) provides a legislature framework to promote standards for safety and health at work. Pursuant to the provisions contained in the OSHA, employers have a duty to ensure, so far as is practicable, the safety, health and welfare at work of their employees. The implementation and enforcement of OSHA is administered by the Department of Occupational Safety and Health, under the Ministry of Human Resources.

Under the OSHA of Malaysia, all employers with 40 or more employees at the place of work (or as the Director General of Occupational Safety and Health directs) must (i) establish a safety and health committee, whose main function is to review the safety and health measures and investigate any matters arising thereof; (ii) consult the safety and health committee regarding arrangements to enable him and his employees to cooperate effectively to promote and develop safety and health measures for employees at the place of work; and (iii) check the effectiveness of such measures. More specific duties of the employers are laid out in the Occupational Safety and Health (Safety and Health Officer) Regulation 1997. For example, the employer must invite persons at the place of work to nominate their representatives to the safety and health committee and the employee representatives in the committee must represent the various sections at the place of work.

The OSHA also requires a company to notify the nearest Occupational Safety and Health office of any accident, dangerous occurrence, occupational poisoning or occupational disease which has occurred or is likely to occur at the place of work.

Failure to comply with the requirements of OSHA and its regulations is an offence which may result in liability in fines, terms of imprisonment or both.

### ***B7. Fire Service Act 1988***

Section 28 (1) of the Fire Service Act 1988 (Act 34 of the Laws of Malaysia) (“**Fire Act**”) provides that every designated premise requires a fire certificate. Section 33 of the Fire Act further states that where there is no fire certificate in force in respect of any designated premises the owner of the premises shall be guilty of an offence. Under Section 58 of the Fire Act, any person guilty of an offence under the Fire Act for which no penalty is expressly provided shall, on conviction, be liable to a fine not exceeding RM5,000 or to imprisonment for a term not exceeding three years or to both.

During the Track Record Period and up to the Latest Practicable Date, each of FMSB (MY) and TMSB (MY) was required to hold and had held fire certificates issued by the Fire and Rescue Department of Malaysia.

## **C. Environmental Protection Laws and Regulations**

### ***C1. Environmental Quality Act 1974***

The Environmental Quality Act, 1974 (Act 127 of the Laws of Malaysia) (“**EQA**”) is the primary law on pollution control in Malaysia. The EQA controls various aspects of environmental pollution such as air pollution (section 22 of the EQA), noise pollution (section 23 of the EQA), soil pollution (section 24 of the EQA), pollution of inland waters (section 25 of the EQA), pollution caused by oil in the Malaysian waters (section 27 of the EQA), pollution caused by the discharge of waste into the Malaysian waters (section 29 of the EQA) and open burning (section 29A of the EQA). The agency responsible for implementing and monitoring Malaysian’s environmental regulations and policies is the Malaysian Department of Environment (“**DOE**”) and the local environmental authority.

Pursuant to section 18(1) of the EQA, the minister charged with the responsibility for environment protection after consultation with the Environmental Quality Council established under section 4 of the EQA may by order prescribe certain premises the occupation or use of which by any person shall, unless he is the holder of a licence issued in respect of those premises under the EQA, be an offence under the EQA. Any person found guilty of an offence under section 18(1) shall be liable to a fine not exceeding RM50,000 or imprisonment for a period not exceeding two years or to both and to a further fine of RM1,000 for every day that the offence is continued after a notice by the Director General of Environmental Quality requiring him to cease the act specified has been served upon him.

Pursuant to section 34A(1) of the EQA, the minister, after consultation with the Council, may by order prescribe any activity which may have significant environmental impact as prescribed activity. Any person intending to carry out any of the prescribed activities shall, before any approval for the carrying out of such activity is granted by the relevant approving authority, submit a report to the Director General. The report shall be in accordance with the guidelines prescribed by the Director General and shall contain an assessment of the impact such activity will have or is likely to have on the environment and the proposed measures that shall be undertaken to prevent, reduce or control the adverse impact on the environment.

If the Director General on examining the report and after making such inquiries as he considers necessary, is of the opinion that the report satisfies the requirements of section 34A(2) and that the measures to be undertaken to prevent, reduce or control the adverse impact on the environment are adequate, he shall approve the report, with or without conditions attached thereto,



## REGULATORY OVERVIEW

and shall inform the person intending to carry out the prescribed activity and the relevant approving authorities accordingly. If the Director General, on examining the report and after making such inquiries as he considers necessary, is of the opinion that the report does not satisfy the requirements of section 34A(2) or that the measures to be undertaken to prevent, reduce or control the adverse impact on the environment are inadequate, he shall not approve the report and shall give his reasons thereof and shall inform the person intending to carry out the prescribed activity and the relevant approving authorities accordingly: provided that where such report is not approved it shall not preclude such person from revising and resubmitting the revised report to the Director General for his approval.

The Director General may if he considers it necessary require more than one report to be submitted to him for his approval. Any person intending to carry out a prescribed activity shall not carry out such activity until the report required under this section to be submitted to the Director General has been submitted and approved. If the Director General approves the report, the person carrying out the prescribed activity, in the course of carrying out such activity, shall provide sufficient proof that the conditions attached to the report (if any) are being complied with and that the proposed measures to be taken to prevent, reduce or control the adverse impact on the environment are being incorporated into the design, construction and operation of the prescribed activity. Any person who contravenes section 34A shall be guilty of an offence and shall be liable to a fine not exceeding RM500,000 or to imprisonment for a period not exceeding five years or to both and to a further fine of RM1,000 for every day that the offence is continued after a notice by the Director General requiring him to comply with the act specified therein has been served upon him.

### ***C2. Environment Quality (Sewage and Industrial Effluent) Regulations 1979***

The Environment Quality (Sewage and Industrial Effluent) Regulations 1979 which regulates the prevention, abatement, control of pollution and enhancement of the environment in relation to sewage and industrial effluent matters. Regulation 4 provides that no person without prior written permission of the Director-General of Environment shall (1) carry out any work on any premise that may result in a new source of effluent discharge or cause a material change in the quantity or quality of the discharge from an existing source; or (2) construct on any land any building designed or used for a purpose that may cause the land or building to result in a new source of effluent discharge.

Section 25 (3) of the EQA provides that any person who, unless licenced, emits, discharges or deposits any environmentally hazardous substances, pollutants or waste into any inland waters shall be guilty of an offence and shall be liable to a fine not exceeding RM100,000 or to imprisonment for a period not exceeding five years or to both and to a further fine not exceeding RM1,000 a day for every day that the offence is continued after a notice by the Director General of Environment requiring him to cease the act specified therein has been served upon him.

FSWSB (MY) had obtained the approval for operating wastewater treatment plant since 22 October 2008.

### ***C3. Environmental Quality (Scheduled Wastes) Regulation 2005***

The Environmental Quality (Scheduled Wastes) Regulations 2005 (P.U. (A) 294/2005) of the Laws of Malaysia (“**Environmental Quality Scheduled Wastes Regulation**”) regulates the disposal and storage of scheduled wastes. Regulation 9 provides the requirements in relation to

storage of scheduled wastes and Regulation 2 provides for the categories of scheduled waste and the period of time the said scheduled waste can be kept at the permitted premises for the stipulated period of time before it is being disposed of.

Regulation 7(1) of the Environmental Quality Scheduled Wastes Regulation provides that a waste generator may apply to the Director General of Environment in writing to have the scheduled wastes generated from their particular facility or process excluded from being treated, disposed of or recovered in premises or facilities other than at the prescribed premises or on-site treatment or recovery facilities. An application under Regulation 7(1) of the Environmental Quality Scheduled Wastes Regulations shall be submitted to the Director General of Environment for approval and shall be accompanied by a fee of RM300 which shall not be refunded.

Whilst the Environmental Quality Scheduled Wastes Regulation does not provide for any penalty or consequences in the event of non-compliance, Section 41 of the EQA provides that offender shall be liable to a fine not exceeding RM10,000 or imprisonment for a period not exceeding two years or to both.

FSWSB (MY) had obtained permit for temporary storage of scheduled wastes since 22 January 2015.

#### ***C4. Environment Quality (Clean Air) Regulation 1978***

The Environment Quality (Clean Air) Regulation 1978 (P.U. (A) 280/1978) of the Laws of Malaysia (“**Environment Quality Clean Air Regulation**”) regulates the atmospheric pollution and discharge. Regulation 38 of the Environment Quality Clean Air Regulation provides that any person intending to erect, install, resite or alter any chimney, from or through which air impurities may be emitted or discharged shall obtain prior written approval from the Director-General of Environment and this requirement shall not apply to a chimney serving a private residence.

Regulation 56 of the Environment Quality Clean Air Regulation further provides that in the event that the above regulation was not complied with the offender shall on conviction be liable to a fine not exceeding RM5,000 or to a term of imprisonment not exceeding one year or to both.

FMSB (MY) had obtained the approval certificate for installation of chimneys for dyeing machines since 27 November 2008.

### **D. Foreign Exchange Control**

#### ***D.1 Financial Services Act 2013***

There are foreign exchange control policies in Malaysia that serve to monitor capital inflows and outflows into and out of the country. The relevant legislation governing foreign exchange controls in Malaysia is the Financial Services Act 2013 (Act 758 of the Laws of Malaysia) (“**FSA**”), which is administered by the Controller of Foreign Exchange under the Central Bank of Malaysia, Bank Negara Malaysia (“**Controller**”). The Controller has, under the FSA, issued rules and notices which constitute the Controller’s general permissions and directions (“**Exchange Rules**”). The Exchange Rules apply to both resident and non-residents of Malaysia, and the approval of the Controller is required in certain instances. At present, under the Exchange Rules, a resident entity, with domestic borrowings, is only permitted to make investment abroad up to RM50 million equivalent in aggregate per calendar year (“**Maximum Offshore Investment**”). If a resident entity intends to make investments abroad exceeding the Maximum Offshore Investment,



the resident entity is required to obtain the approval of the Controller. This applies to investment abroad by a resident entity. There are no restrictions on the repatriation of capital, profits and income earned from investment abroad, including profits or dividends, including the Maximum Offshore Investment, by our Company or any of our non-Malaysian incorporated subsidiaries.

### **E. Taxation**

#### ***E.1 Income Tax Act 1967***

The Income Tax Act 1967 (Act 53 of the Laws of Malaysia) (“**IA**”) regulates the imposition of income tax in Malaysia.

Section 77A(1) of the Income Tax Act states that every company, limited liability partnership, trust body or co-operative society shall for each year of assessment furnish to the Director General of Income Tax a return in the prescribed form within 7 months from the date following the close of the accounting period which constitutes the basis period for the year of assessment.

Section 2 of Schedule 1 of the IA states that income tax shall be charged for a year of assessment on the chargeable income of a company which has a paid-up capital, in respect of ordinary shares, more than RM2,500,000 at the beginning of the basis, at the rate of 25 per cent for the year of assessment 2015 and 24 per cent for the subsequent years of assessment on every ringgit of the chargeable income.

Section 112 further states that any person who makes default in furnishing a return in accordance with subsection 77A(1) or in giving a notice in accordance with subsection 77(3) shall, if he does so without reasonable excuse, be guilty of an offence and shall, on conviction, be liable to a fine of not less than RM200 and not more than RM2,000 or to imprisonment for a term not exceeding 6 months or to both.

There is no provision for the levy of withholding tax on dividends or other distributions declared or paid to shareholders, corporate shareholders, including foreign shareholders.

#### ***E.2 Goods and Services Tax Act 2014***

The Goods and Services Tax Act 2014 (Act 762 of the Laws of Malaysia) (“**GST Act**”) regulates the goods and services tax (“**GST**”) in Malaysia. The existing standard rate for GST prescribed under the GST is 6%.

Any individual or body corporate who makes a taxable supply for business purposes and the taxable turnover of that supply exceeds the threshold of RM500,000 is required to be registered with the Malaysian Customs Department for GST. However, businesses with a taxable turnover of RM500,000 and below may apply for voluntary registration of GST.

During the Track Record Period and up to the Latest Practicable Date, only each of FMSB, FSWSB and TMSB was required and had been GST registered with the Malaysian Customs Department.

## REGULATORY OVERVIEW

### *E.3 Customs Act 1967*

The Customs Act 1967 (Act 235 of the Laws of Malaysia) (“CA”) regulates the customs laws of Malaysia. Section 14(2) CA provides the exemption from the payment of custom duties on products being imported by the body corporate for their purposes of their businesses. Such exemptions can be made by the Minister of Finance of the Malaysia, either by an order exempting any class of goods or class of persons or specifically in writing, exempt any individual or company from the payment of any customs duty or charges or fees payable. All written approvals on exemption, generally does provide alongside, certain terms and conditions.

### *E.4 Trade Marks Act 1976*

The Trade Marks Act 1976 (Act 175 of the Laws of Malaysia) (“TMA”) regulates the matters relating to trademarks.

Section 30 of the TMA states that when an application for registration of a trademark in the Register of Trade Marks has been accepted and either, (a) the application has not been opposed and the time for opposition has expired or (b) the application has been opposed and the opposition has been decided in favour of the applicant, the Registrar of Trade Marks shall, unless the application has been accepted in error, register the trademark in the Register of Trade Marks on payment of the prescribed fees in the name of the proprietor, and the trademark so registered shall be registered as of the date of application for registration and that date shall be deemed for the purpose of the TMA to be the date of registration. On the registration of a trademark the Registrar of Trade Marks shall issue to the applicant a certificate of the registration of the trademark in the prescribed form under the seal of the Registrar of Trade Marks.

Section 35 of the TMA further states that the registration of a person as registered proprietor of a trademark (other than a certification trademark) in respect of any goods or services shall, if valid, give or be deemed to have been given to that person the exclusive right to the use of the trademark in relation to those goods or services subject to any conditions, amendments, modifications or limitations entered in the Register of Trade Marks. Where 2 or more persons are proprietors of registered trademarks which are identical or nearly resembling each other rights of exclusive use of either of those trademarks are not (except so far as their respective rights have been defined by the Registrar or the Court) acquired by any one of those persons as against any other of those persons by registration of the trademark but each of those persons have the same rights as against other persons (not being registered users) as he would if he were the sole registered proprietor.

## VIETNAMESE REGULATORY OVERVIEW

The following sets forth major aspects of Vietnamese laws relating to our operations in Vietnam.

### **A. Foreign Investment**

The principal statutes currently governing the incorporation and operation of a foreign owned enterprise in Vietnam are (i) Law No. 67/2014/QH13 on Investment (“**LOI 2014**”); and (ii) Law No. 68/2014/QH13 on Enterprise (“**LOE 2014**”) coming into effect from 1 July 2015 and replacing Law No. 59/2005/QH11 on Investment and Law No. 60/2005/QH11 on Enterprises, respectively.

## REGULATORY OVERVIEW

### *A1. Form of investment and procedures*

A foreign investor may invest under LOI 2014 and LOE 2014 by way of (i) setting up a new company or (ii) contributing capital to or buying shares in an existing company. The following licensing procedures are applicable: (i) capital registration; (ii) obtaining/amending an enterprise registration certificate; and/or (iii) obtaining/amending an investment registration certificate.

During the operation term, any changes to the contents of the investment registration certificate or enterprise registration certificate of the enterprise must be registered with the licensing authorities. The amended certificate(s) will be issued accordingly.

Enterprises such as FCV (VN), FVSC (VN), PEWAV (VN) and TNV (VN) that have been licensed and registered under former investment laws are not required to undergo the licensing procedures contemplated under LOI 2014 and LOE 2014.

### *A2. Investment incentives*

Foreign investors may be entitled to incentives (such as tax incentives) subject to investment lines, location and scale of the investment projects.

In the event that any new specific laws provide more preferential incentives, the investor is entitled to take advantage of such incentives for the remaining investment term.

On the other hand, in case that any new specific laws provide less preferential incentives, investors are entitled to the incentives granted at the time of their investment unless there are policy objections by reason of national defence and security, social order and safety, social morals, health of the community or environmental protection. In such cases, investors are entitled to one or several of the following measures, which are subject to written petitions of the investors within three years from the effective date of the new laws (i) deduction of actual losses from taxable incomes; (ii) adjustment of operation objectives of projects; or (iii) assistance for investors to rectify losses.

### *A3. Import of raw materials and export of products*

There is no restriction on import of major materials and export of products by the Group under the laws of Vietnam.

### *A4. Seal registration*

Under LOE 2014, enterprises are required to notify the Department of Planning and Investment of its seal sample before usage. The seal must reflect the company name and the enterprise code.

Company seals registered with the authority under the old laws remain effective until replaced with the new seals.

## **B. Land Law**

Law No. 45/2013/QH13 on Land which took effect from 1 July 2014 sets out, among others, the regime for land management and usage, as well as the rights and obligations of land users.

## REGULATORY OVERVIEW

Private ownership of land is not permitted in Vietnam and the people hold all ownership rights with the State as the administrator. However, the laws of Vietnam allow ownership of a right to use land, which is determined by reference to the category of land use purposes and the type of land user. This right is called land use right. Land users are issued with land use right certificates.

A foreign-owned enterprise may obtain land use rights by way of (i) entering into a joint venture company with a Vietnamese party, who contributed land use rights as its capital contribution; or (ii) leasing from certain permitted lessors such as the State or an industrial zone developer.

During the Track Record Period and up to the Latest Practicable Date, each of FCV (VN), FVSC (VN) and PEWAV (VN) had land use rights in relation to production facilities in Vietnam.

### C. Environmental Protection

Law No. 55/2014/QH13 on Environment Protection came into effect from 1 January 2015 and replaced Law No. 52/2005/QH11 on Environment Protection. Certificates and licences issued under Law No. 52/2005/QH11 on Environment Protection remain effective until their expiry.

#### *C1. Environmental impact assessment report/environmental protection plan*

An enterprise's operation may be subject to (i) an "environmental impact assessment report" or an "environmental protection plan" subject to its investment project. The environmental impact assessment report/environmental protection plan shall be approved/certified by the authorities before commencement of the investment project. The local People's Committee has the authority to approve/certify the environmental impact assessment report/environment protection plan pursuant to Law on Environment Protection No. 55/2014/QH13, and the local People's Committee has delegated such authority to Dong Nai Industrial Zone Authority pursuant to Decision No. 20/2016/QD-UBND of People's Committee of Dong Nai Province which has come into effect since 8 April 2016. Dong Nai Industrial Zone Authority will approve/certify the environmental impact assessment report/environment protection plan submitted by enterprises in industrial zones in Dong Nai Province. Any changes to, among others, the scale and scope of operations under the approved environmental impact assessment report or environmental protection plan shall be reported in writing to the Dong Nai Industrial Zones Authority or reflected in a new report/plan pursuant to Decision No. 20/2016/QD-UBND of People's Committee of Dong Nai Province which has come into effect since 8 April 2016.

#### *C2. Waste Management*

Enterprises shall collect, classify, manage and treat waste derived from its operations.

*Hazardous Waste Management.* If an enterprise regularly generates certain hazardous waste with quantities reaching regulatory thresholds, it shall (i) obtain a registration book of hazardous waste generator from the Department of Natural Resources and Environment of Dong Nai Province; and (ii) engage a licensed service provider to perform the necessary treatment of hazardous waste. During the Track Record Period and up to the Latest Practicable Date, each of FCV (VN), FVSC (VN) and PEWAV (VN) had obtained the registration books of hazardous waste generator for generating hazardous waste (such as waste oil, waste sludge, containers of chemicals) produced in the manufacturing activities.

*Normal solid waste.* Enterprises shall collect and classify normal solid waste for treatment and recycling.

## REGULATORY OVERVIEW

*Waste water.* Enterprises shall ensure the satisfaction of technical standards as treatment of waste water.

*Dust, gases, noise, vibration, light.* Enterprises shall monitor and ensure the satisfaction of applicable technical standards during its operations.

### **D. Fire Prevention**

The statute currently governing the fire prevention is Law No. 27/2001/QH10 on Fire Prevention and Fighting coming into effect from 4 October 2001 (as amended by Law No. 40/2013/QH13 coming into effect from 1 July 2014).

Designs of the fire prevention and fighting systems of certain establishments falling into the mandatory list of projects and constructions of which fire prevention and firefighting systems must be approved shall be examined and approved by the local fire prevention and fighting public security before commencement of construction or renovation.

Upon completing construction and before putting the construction works into use, the enterprise shall have such fire prevention and fighting systems examined and accepted by the authority.

The authority may carry out inspections (periodic or ad hoc) on fire prevention and firefighting systems. The certificate of fire prevention and firefighting certifies that the projects and their constructions satisfy all legal requirements as regard fire prevention and firefighting. During the Track Record Period and up to the Latest Practicable Date, each of FCV (VN), FVSC (VN) and PEWAV (VN) is the holder of such certificates.

Organisations considered as prone to fire and explosion are required to take out compulsory fire and explosion insurance for, among other things, their construction works and equipment. During the Track Record Period and up to the Latest Practicable Date, each of FCV (VN), FVSC (VN), PEWAV (VN) and TNV (VN) has taken out such insurance.

### **E. Employment**

The principal statute currently governing the employment is Labour Code No. 10/2012/QH13 which came into effect from 1 May 2013.

#### *E1. Labour Contract*

Employment relationship is governed by the contractual agreement entered into between employer and employee. Labour contracts may take one of the following forms: (i) indefinite-term labour contract; (ii) definite-term labour contract the term of which is from 12 to 36 months; (iii) temporary labour contract for a specific project or seasonal work the term of which is less than 12 months.

A labour contract shall have mandatory contents such as the particulars of employer, particulars of employees, details of job, employment term, wage/salary, working and resting time and social insurance.

The signed labour contract may be terminated under circumstances specified under the laws. In the event of unilateral termination, the terminating party shall comply with the procedures and conditions required by laws.

### *E2. Salary*

Salary includes wage rates for the work or position plus allowances and other additional benefits. The wage rate of an employee shall not be lower than the minimum wage rate stipulated by the Government from time to time. Enterprises shall prepare and register its payroll with the authority.

### *E3. Working Hours*

Normal working hours shall not exceed eight hours per day and 48 hours per week. Employer may request employees to work overtime provided that the employer has obtained the employee's consent. The number of overtime working hours shall not exceed 50% of the normal working hours per day (i.e. four hours per day), or 30 hours per month or 200 hours per year. In some special cases, the Government allows the overtime working hours go up to 300 hours per year. Employees who work overtime are entitled to additional wages.

Employees are entitled to at least one rest day per week. Employees who have been employed for 12 months are entitled to a minimum of 12 days of paid annual leave (vacation) per year. Furthermore, employees are generally entitled to an extra day of holiday for each five years of service with a company.

### *E4. Labour Discipline*

*Internal Labour Rules.* An employer employing 10 or more employees shall have internal labour rules. The internal labour regulations must be registered with the Dong Nai Industrial Zones Authority pursuant to the Decision No. 20/2016/QĐ-UBND of People's Committee of Dong Nai Province which has come into effect since 8 April 2016. The internal labour rules govern matters such as working time, resting time, order in work place, labour safety and hygiene, protection of employer's properties, trade secret, technology and intellectual properties; and labour discipline.

*Labour discipline.* Employees who violate the internal labour rules, subject to nature and seriousness of breach, may be subject to disciplinary sanctions such as warning, deferment of salary increase for six months, demotion and dismissal.

*Compensation.* Employees may be required to compensate their employer for loss caused by them.

### *E5. Labour Safety and Hygiene*

Employers and employees are subject to various requirements on labour safety and hygiene at the work place such as periodically testing machinery, equipment and materials with strict requirements on labour safety; securing personal protective facilities for employees; training classes on labour safety and hygiene; and periodic health checks.

### *E6. Foreign Employees*

Foreigners who work in Vietnam are required to obtain a work permit or a confirmation from the local labour department that he/she is exempted from work permits, are issued for the same duration as the term of the labour contract but not exceeding two years.

## REGULATORY OVERVIEW

### *E7. Statutory Insurance*

Employers and employees shall contribute compulsory social insurance, health insurance and unemployment insurance on a monthly basis to the social insurance fund. The contribution is calculated based on salary at the following mandatory rates.

|          | <b>Social<br/>Insurance</b> | <b>Health<br/>Insurance</b> | <b>Unemployment<br/>Insurance</b> | <b>Total</b> |
|----------|-----------------------------|-----------------------------|-----------------------------------|--------------|
| Employer | 17.5%                       | 3%                          | 1%                                | 21.5%        |
| Employee | 8%                          | 1.5%                        | 1%                                | 10.5%        |

### *E8. Trade Union*

Employers are required to facilitate the establishment of a trade union organisation within their company. The main function of a trade union is to represent and protect employees' legal rights and interests.

## **F. Taxation**

The principal statutes currently governing taxation in Vietnam are:

- (1) Law No. 14/2008/QH12 on corporate income tax which has come into effect since 1 January 2009 (as amended by Law No. 32/2013/QH13 which has come into effect since 1 January 2014 and Law No. 71/2014/QH13 which has come into effect since 1 January 2015);
- (2) Law No. 13/2008/QH12 on value added tax which has come into effect since 1 January 2009 (as amended by Law No. 31/2013/QH13 which has come into effect since 1 January 2014, Law No. 71/2014/QH13 which has come into effect since 1 January 2015, and Law No. 106/2016/QH13 which has come into effect since 1 July 2016); and
- (3) Circular No. 103/2014/TT-BTC regarding withholding taxes which has come into effect since 1 October 2014; and
- (4) Decree No. 139/2016/ND-CP regarding business registration tax which has come into effect since 1 January 2017.

### *F1. Corporate income tax*

Enterprises established under the laws of Vietnam are subject to corporate income tax.

The standard corporate income tax rate is 20%. However, preferential tax rates, tax exemptions or tax reductions may be available to eligible projects in certain industries (e.g. manufacturing of high quality steel, energy saving products; manufacturing of machineries, equipment to be used in agriculture, forestry, fishery, salt production; manufacturing of animal, poultry and aquatic feeds; and development of traditional crafts) or locations (i.e. poor and remote areas) that are encouraged by the government.



## REGULATORY OVERVIEW

### *F2. Value added tax*

Organisations and individuals that produce and trade in taxable goods and services in Vietnam or who import taxable goods and services from overseas are liable to pay value added tax.

Zero rate applies to goods and services such as exported goods and services and international transportation services.

Reduced rate of 5% applies to the supply of essential goods and services such as clean water, fertiliser production, medicine and medical equipment, various agricultural products and services, teaching tools and products and social housing.

Standard rate of 10% applies to goods and services, except for those specifically named items which are subject to 0% or 5% tax rates.

### *F3. Capital gains*

Gains derived by organisations from sales of shares or assignments of capital in enterprises are subject to tax at a rate of 20%.

### *F4. Withholding tax*

Withholding tax applies to certain payments to foreign parties such as interest, service fees and leases. This comprises a combination of corporate income tax and value added tax at varying rates. For example:

|                                                                                | <b>Value<br/>added tax rate</b> | <b>Corporate<br/>income tax rate</b> |
|--------------------------------------------------------------------------------|---------------------------------|--------------------------------------|
| General services                                                               | 5%                              | 5%                                   |
| Construction, installation without supply of materials, machinery or equipment | 5%                              | 2%                                   |
| Construction, installation with supply of materials, machinery or equipment    | 3%                              | 2%                                   |
| Leasing of machinery and equipment                                             | 5%                              | 5%                                   |
| Interest on foreign borrowings                                                 | Exempted                        | 5%                                   |

### *F5. Business license tax*

Business license tax is payable by foreign invested enterprise on an annual basis. The rate depends on the registered charter capital with a maximum amount currently set at VND3 million.

### *F6. Repatriation of profits*

There are no restrictions for the transfer abroad of the following so long as the foreign investor has satisfied all financial obligations owed to the government of Vietnam: (i) invested capital and proceeds from liquidation of investments; (ii) income derived from business investment activities; and/or (iii) other money and assets lawfully owned by the investors.

## REGULATORY OVERVIEW

Foreign investors are permitted to declare dividends and remit their profits provided the investee company has undistributed profit for which it has received tax clearance from the authorities or upon termination of the investment in Vietnam. Foreign investors are not permitted to remit profits if the investee company has accumulated losses.

The LOE provides that a company incorporated in Vietnam may declare dividends if: (i) the company has fulfilled its tax obligations and other financial obligations in accordance with the laws of Vietnam; (ii) after payment of all intended dividends, the company will be able to settle its debts and other liabilities which become due; and (iii) the company has covered losses carried forward from previous years in accordance with the laws of Vietnam and the charter of the company (applied to joint stock companies).

The foreign investor is permitted to use revenue in Vietnam Dong from its direct investment in Vietnam to buy foreign currency and to remit it overseas.

There are no withholding taxes or remittance taxes imposed on profits paid to corporate shareholders, including foreign shareholders.

### **G. Foreign Exchange Control**

The legislation regulating the foreign exchange market in Vietnam is Ordinance No. 28/2005/PL-UBTVQH11 on Foreign Exchange as amended by Ordinance No. 06/2013/UBTVQH13 and its guidance instruments (“**Foreign Exchange Regulations**”). A company incorporated under the laws of Vietnam is designated as a resident for exchange control purposes in Vietnam. This includes foreign owned enterprises.

#### *G1. Foreign currency payment*

Foreign currency payments within the territory of Vietnam are strictly prohibited under the Foreign Exchange Regulations and are subject to the strict control of the State Bank of Vietnam. The law provides the following exceptions: (i) resident organisations may internally transfer capital in foreign currencies via bank transfer (as between an entity with legal status and a dependent accounting entity or vice versa); (ii) residents may contribute capital in foreign currencies in order to implement foreign investment projects in Vietnam; and/or (iii) residents are entitled to receive payments in foreign currencies made via bank transfers in accordance with import or export contracts.

#### *G2. Foreign currency conversion and remittance*

A resident company incorporated under the laws of Vietnam is allowed to remit overseas foreign currency to meet their payment requirements for permitted transactions, subject to the selling bank’s verification. This includes (i) payments and remittance in relation to import and export of goods and services; (ii) payments and remittance in relation to revenues from direct and indirect investment; (iii) remittance in relation to a reduction and subsequent repayment of direct investment capital; and/or (iv) payments for principal and interest under foreign loans.

#### *G3. Foreign currency bank account*

A resident foreign-owned enterprise shall open a direct investment capital account in foreign currency with an authorised bank in Vietnam for its direct investment in Vietnam for the following purposes: (i) receipt of charter capital contributions, receipt of capital for implementation of direct

## REGULATORY OVERVIEW

investment and receipt of medium and long-term foreign loan capital; (ii) disbursement outside Vietnam of principal, interest and fees on a foreign medium or long-term loan; (iii) disbursement outside Vietnam of capital, profit and other legal revenue of a foreign investor; and/or (iv) other revenue and disbursement transactions relating to direct foreign investment activities.

### **H. Trademark**

The principal statute currently governing trademarks registered in Vietnam is Law No. 50/2005/QH11 on Intellectual Properties which has come into effect since 1 July 2006 (as amended by Law No. 36/2009/QH12 which has come into effect since 1 January 2010).

An enterprise may register its trademark(s) in relation to its products. A registration certificate is effective from the date of issuance and expires 10 years from the application date. The registration can be renewed.

### **I. Printing**

Under the old regulations (Decree No. 72/2009/ND-CP regarding security and orders requirements), organisations engaging in printing activities must obtain a certificate of satisfaction of order and security. PEWAV (VN) is required to and has obtained such certificate.

Decree No. 72/2009/ND-CP has been replaced with Decree No. 96/2016/ND-CP. Under the new regulations, organisations must obtain the certificate of satisfaction of order and security only when they print publications, licences/certificates to be issued by government authorities, genuine stamps, financial invoices, packages/stamps/labels of pharmaceutical products and health supplement.

### **J. Food safety regulations**

Food safety is governed by Law No. 55/2010/QH12 on Food Safety. The law requires organisations/individuals who engage in food trading and manufacturing to ensure the food safety during their operation terms, such as the use of proper ingredients, sanitary machinery, proper food labelling and packing, and sanitary food transportation.

### **K. Product liability of manufacturers and consumer protection**

Under Law No. 59/2010/QH12 on Consumer Protection, manufacturers are required to (a) provide consumers with accurate information on products (including price, side effects, usage instructions and other relevant information); (b) recover and remedy defective products; and (c) compensate for loss due to defective products.

## OUR HISTORY

### Overview

We are a long established elastic textile and webbing manufacturer in Malaysia and Vietnam with an operating history of almost 30 years in Malaysia and nearly 20 years in Vietnam. Further details of our principal businesses and our products are set out in “Business” in this prospectus.

We were founded with our headquarters based in Malaysia. In 1987, we started off as a manufacturer of covered elastic yarn and furniture webbing in Malaysia through FMSB (MY) by Cheah Eng Chuan, Lee Sim Hak, Ong Lock Hoo and Lai Kong Meng with Chan Kwong Pooi joined in 1988 (“**our Founders**”). Since then, we have diversified our products to include narrow elastic fabric, seat belt webbings, rubber tapes, and metal components for furniture as more particularly described in “Business” in this prospectus.

In 1997, to take advantage of the competitive labour costs as compared to Malaysia and the introduction of foreign investment incentives by the Vietnamese government, we expanded our furniture webbings and covered elastic yarn operations from Malaysia to Vietnam through FVSC (VN). Notwithstanding our development in Vietnam, our headquarters remain located in Malaysia.

Immediately prior to completion of the Reorganisation, we are part of the group of companies with PRG Holdings as the holding company. PRG Holdings was incorporated in Malaysia on 13 March 2001. It was listed on the Second Board of Bursa Malaysia on 16 October 2003 and was subsequently listed on the Main Market of Bursa Malaysia with effect from 3 August 2009 pursuant to the merger of the Main Board and the Second Board of Bursa Securities. In preparation for the Listing, the Reorganisation was implemented to facilitate the listing of the Shares on GEM. Further information on the Reorganisation is set out in “Statutory and General Information — Further Information about our Company and Other Members of our Group — 4. Group reorganisation” in Appendix V to this prospectus.

“Our Key Business Milestones” in this section below provides you with further details of the key business milestones in the development of our Group.

Save as disclosed in “Significant Shareholding Changes in Members of our Group during the Track Record Period and up to the Latest Practicable Date” in this section below and “Statutory and General Information — Further Information about our Company and Other Member of our Group — 2. Changes in share capital of our Company and 6. Changes in the share capital of our Subsidiaries” in Appendix V to this prospectus, there were no significant changes in the shareholding of our Company or any members of our Group during the Track Record Period.

### Our Founders

“Directors and Senior Management” in this prospectus provides you with further information on Cheah Eng Chuan, Lee Sim Hak and Ong Lock Hoo, three of our Founders.

Lai Kong Meng, one of our Founders, joined FMSB (MY) in 1987. He remains as a director of FMSB (MY) and assumes the role of technical director for our webbings and narrow elastic fabric products.

Chan Kwong Pooi, one of our Founders, joined FMSB (MY) in 1988 and had subsequently assumed the role of technical director for our covered elastic yarn. He is currently a director of FMSB (MY) and WTSB (MY).

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### OUR KEY BUSINESS MILESTONES

The key business milestones in the development of our Group in chronological order are set out below:

| Year or period                      | Milestone                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1987 to 2002                        | <ul style="list-style-type: none"> <li>● In 1987, we founded as a manufacturer of covered elastic yarn and furniture webbing in Malaysia through FMSB (MY) by our Founders with Chan Kwong Pooi joined us in 1988. We diversified our products to rubber tapes in 1989 through TMSB (MY), which was incorporated in 1988 by one of our Founders (i.e. Cheah Eng Chuan) together with other joint venture partners.</li> <li>● In 1992, SSKSB (MY) was acquired by us (through FMSB (MY)) from parties who were Independent Third Parties as one of the property holding companies of our Group.</li> <li>● We diversified our products to seat belt webbings in 1997 through FSWSB (MY), which was acquired by us (through FMSB (MY)) from parties who were Independent Third Parties.</li> <li>● In 1997, we expanded our operation and production facilities for furniture webbings and covered elastic yarn into Vietnam through FVSC (VN), which was incorporated in 1997 by FMSB (MY).</li> <li>● In 2001, we (through FMSB (MY)) formed TNV (VN) which produces meat netting in Vietnam with an Independent Third Party with each joint venture partner holding 50% equity interest in TNV (VN).</li> <li>● In 2002, we incorporated PEWAV (VN) to provide narrow elastic fabrics.</li> </ul> |
| 2003 to 2009                        | <ul style="list-style-type: none"> <li>● PRG Holdings became the ultimate holding company of members of our Group in 2003.</li> <li>● PRG Holdings became listed on the Second Board of Bursa Malaysia on 16 October 2003.</li> <li>● We diversified our products to metal components for furniture in 2005 through FCV (VN), which was incorporated in 2004 by us (through FVSC (VN)) together with other joint venture partners who were Independent Third Parties.</li> <li>● PRG Holdings became listed on the Main Market of Bursa Malaysia with effect from 3 August 2009.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 2010 to the Latest Practicable Date | <ul style="list-style-type: none"> <li>● In 2010, we commenced our operation at the new factory and office building of FMSB in Malaysia.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### Year or period

### Milestone

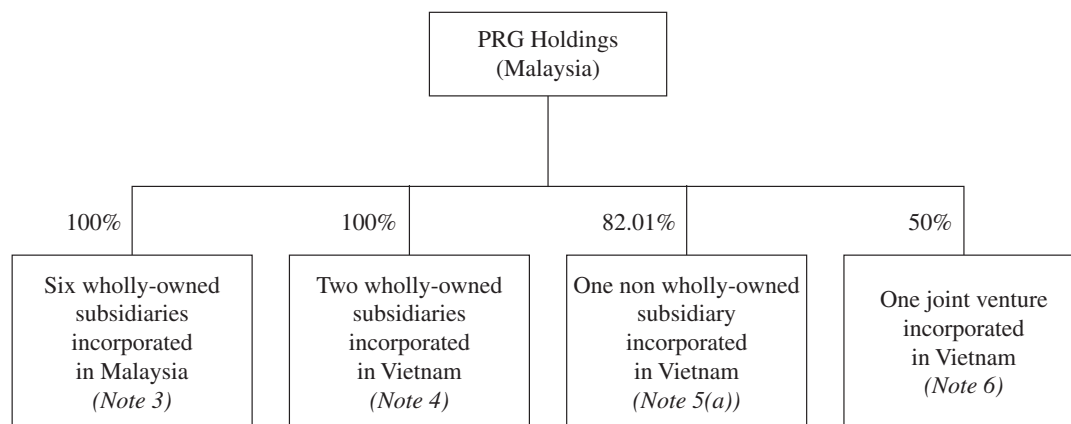
- In 2012, PEWAV (VN) commenced operation at the new factory in Vietnam in 2012.
- In 2014–2015, our products including seat belt webbing, narrow elastic fabric, covered elastic yarn and rubber tapes were sold to certain new branded goods manufacturers.

## MAJOR OPERATING MEMBERS, OTHER MEMBERS AND JOINT VENTURE OF OUR GROUP

### Simplified Corporate Structure of our Group

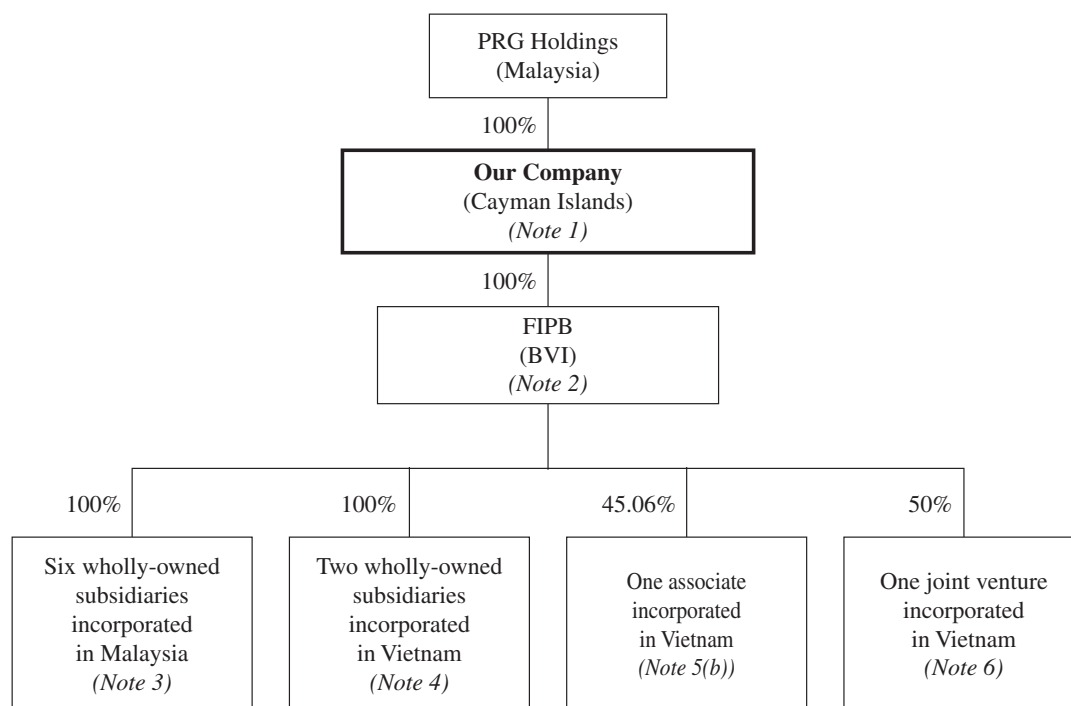
The charts below set out the simplified corporate structure of our Group and our joint venture during the Track Record Period and upon completion of the Reorganisation:

*During the Track Record Period*



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

*Upon completion of the Reorganisation*



*Notes:*

1. Our Company became our holding company on 21 September 2017.
2. FIPB became our intermediate holding company on 28 April 2017.
3. The six wholly-owned subsidiaries incorporated in Malaysia are WTSB (MY), FMSB (MY), TMSB (MY), FSWSB (MY), SSKSB (MY) and TSMSB (MY).
4. The two wholly-owned subsidiaries incorporated in Vietnam are FVSC (VN) and PEWAV (VN).
- 5(a). The non wholly-owned subsidiary incorporated in Vietnam is FCV (VN). We had 82.01% equity interest in FCV (VN) throughout the Track Record Period and immediately prior to the FCV (VN) Shareholding Changes became effective on 14 September 2017. The remaining 17.99% equity interest in FCV (VN) was held by Scoot Filoot Pty Ltd (“**Scoot**”) and Shann Australia Pty Ltd (“**Shann**”), each an Independent Third Party, as to 12.03% and 5.96%, respectively, throughout the Track Record Period and immediately prior to the FCV (VN) Shareholding Changes became effective on 14 September 2017. Scoot is a limited liability company incorporated in Australia in 2014, whose principal activities are investment holding and trading. Shann is a limited liability company incorporated in Australia in 1987, whose principal activity is the trading of clothing, furniture, curtain, bedding, automotive, canvas and marine.
- 5(b). Upon the FCV (VN) Shareholding Changes became effective on 14 September 2017, our equity interest in FCV (VN) was reduced to 45.06%, while the remaining 54.94% equity interest in FCV (VN) was held by Scoot, Shann and Lubra Beteiligungsgesellschaft mbH (“**Lubra**”), each an Independent Third Party, as to 6.61%, 3.27% and 45.06%, respectively. Lubra is a limited liability company incorporated under the laws of Germany. The principal activity of Lubra is investment holding. Lubra’s parent company, Ferdinand Lusch GmbH & Co. KG is a limited partnership established under the laws of Germany, the principal businesses of which are, among other things, the development, manufacture and sale of functional fittings for residential and upholstered furniture. Please refer to “Significant Shareholding Changes in Members of our Group during the Track Record Period and up to the Latest Practicable Date — FCV (VN)” in this section below for further details on the changes in shareholding of FCV (VN).



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

6. The joint venture incorporated in Vietnam is TNV (VN). We had 50% equity interest in TNV (VN) throughout the Track Record Period and up to the Latest Practicable Date. The remaining 50% equity interest in TNV (VN) was held by Trunet UK, an Independent Third Party, throughout the Track Record Period and up to the Latest Practicable Date. Trunet (UK) is a limited liability company incorporated in the United Kingdom in 2007, whose principal activity is the production of elastic netting, loops and twines.
7. A full list of our Group's members, including our subsidiaries, associate and joint venture is set out in the Accountant's Report.

### Our Operating Members and Joint Venture

We conducted our businesses through our operating members. During the Track Record Period, we had seven operating members and one joint venture and as at the Latest Practicable Date, we had six operating members, one associate and one joint venture. The table below sets out the details of our operating members, associate and joint venture as at the Latest Practicable Date:

#### *Subsidiaries*

| Name       | Place of incorporation | Date of incorporation and commencement of business | Form of entity            | Paid up capital                                                                             | Effective equity interest attributable to our Company<br>(Note 1) | Principal business activities                                                        |
|------------|------------------------|----------------------------------------------------|---------------------------|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| WTSB (MY)  | Malaysia               | 23 November 1984                                   | Limited liability company | RM32.25 million                                                                             | 100%                                                              | Trading of machinery and accessories (Note 6)                                        |
| FMSB (MY)  | Malaysia               | 3 October 1987                                     | Limited liability company | RM5.8275 million                                                                            | 100%                                                              | Manufacture and sale of upholstery webbings, covered elastic yarn and rigid webbings |
| TMSB (MY)  | Malaysia               | 13 June 1988<br>(business commenced in 1989)       | Limited liability company | RM2.7 million                                                                               | 100%                                                              | Manufacture and marketing of rubber strips and sheets                                |
| FSWSB (MY) | Malaysia               | 19 June 1996<br>(business commenced in 1997)       | Limited liability company | RM2.501 million                                                                             | 100%                                                              | Manufacture and sale of safety webbings                                              |
| FVSC (VN)  | Vietnam                | 16 January 1997                                    | Joint stock company       | VND147 billion<br>(equivalent to 14,700,000 ordinary shares of par value of VND10,000 each) | 100%<br>(Note 2)                                                  | Manufacture and sale of upholstery webbings and covered elastic yarn                 |
| PEWAV (VN) | Vietnam                | 23 January 2002                                    | Limited liability company | US\$2.1 million                                                                             | 100%<br>(Note 3)                                                  | Manufacture and sale of narrow elastic fabrics                                       |

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

| Name                 | Place of incorporation | Date of incorporation and commencement of business | Form of entity            | Paid up capital  | Effective equity interest attributable to our Company<br>(Note 1) | Principal business activities                          |
|----------------------|------------------------|----------------------------------------------------|---------------------------|------------------|-------------------------------------------------------------------|--------------------------------------------------------|
| <i>Associate</i>     |                        |                                                    |                           |                  |                                                                   |                                                        |
| FCV (VN)             | Vietnam                | 4 August 2004                                      | Limited liability company | US\$3.91 million | 45.06% (Note 4)                                                   | Manufacture and sale of metal components for furniture |
| <i>Joint venture</i> |                        |                                                    |                           |                  |                                                                   |                                                        |
| TNV (VN)             | Vietnam                | 15 February 2001                                   | Limited liability company | US\$0.3 million  | 50%<br>(Note 5)                                                   | Manufacture and marketing of meat netting              |

*Notes:*

- Other than FCV (VN), all the operating members of our Group were our wholly-owned subsidiaries throughout the Track Record Period and up to the Latest Practicable Date. We had 82.01% equity interest in FCV (VN) throughout the Track Record Period and immediately prior to the FCV (VN) Shareholding Changes became effective on 14 September 2017. FCV (VN) ceased to be our subsidiary and became our associate, in which we hold a 45.06% equity interest, immediately following the FCV (VN) Shareholding Changes became effective on 14 September 2017. Please refer to “Significant Shareholding Changes in Members of our Group during the Track Record Period and up to the Latest Practicable Date — FCV (VN)” in this section below for further details on the changes in shareholding of FCV (VN).
- Our interest in FVSC (VN) is held by WTSB (MY), FMSB (MY) and FSWSB (MY) by 99.9995%, 0.00025% and 0.00025%, respectively.
- Our interest in PEWAV (VN) is held by WTSB (MY) and FVSC (VN) by 42.86% and 57.14%, respectively.
- For details of other shareholders during the Track Record Period and upon completion of the Reorganisation, see Notes 5(a) and 5(b), respectively, to “Major Operating Members, other Members and Joint Venture of our Group — Simplified Corporate Structure of Our Group” in this section.
- The remaining 50% equity interest in TNV (VN) was held by Trunet UK, an Independent Third Party, throughout the Track Record Period and up to the Latest Practicable Date.
- During the Track Record Period, our Group traded machinery and accessories through WTSB (MY) in FY2015 in the amount of RM0.3 million. No similar trade was made in FY2016 and 1Q2017 as it was not our principal business.

During the Track Record Period and up to the Latest Practicable Date, there were no significant changes in the shareholdings of our operating members other than the changes set out in “Significant Shareholding Changes in Members of our Group during the Track Record Period and up to the Latest Practicable Date” in this section below and “Statutory and General Information — Further Information about our Company and Other Members of our Group — 6. Changes in the share capital of our Subsidiaries” in Appendix V to this prospectus.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### Other Members of our Group

The table below sets out the details of the other members of our Group, which are not our operating members, as at the Latest Practicable Date:

| Name       | Place of incorporation | Date of incorporation and commencement of business | Form of entity            | Paid up capital | Effective equity interest attributable to our Company | Principal business activities |
|------------|------------------------|----------------------------------------------------|---------------------------|-----------------|-------------------------------------------------------|-------------------------------|
| SSKSB (MY) | Malaysia               | 5 December 1974                                    | Limited liability company | RM50,000        | 100%                                                  | Property holding company      |
| TSMSB (MY) | Malaysia               | 29 December 1994                                   | Limited liability company | RM2.49 million  | 100%                                                  | Dormant                       |
| FIPB       | BVI                    | 28 December 2016                                   | Limited liability company | US\$101.00      | 100%                                                  | Investment holding            |

During the Track Record Period and up to the Latest Practicable Date, all the above non-operating members of our Group were our wholly-owned subsidiaries and there were no significant changes in their shareholdings.

### SIGNIFICANT SHAREHOLDING CHANGES IN MEMBERS OF OUR GROUP DURING THE TRACK RECORD PERIOD AND UP TO THE LATEST PRACTICABLE DATE

During the Track Record Period and up to the Latest Practicable Date, there were no significant shareholding changes in members of our Group other than the changes set out below and “Statutory and General Information — Further Information about our Company and Other Members of our Group — 6. Changes in the share capital of our Subsidiaries” in Appendix V to this prospectus:

#### FVSC (VN)

FVSC (VN) was our wholly-owned subsidiary throughout the Track Record Period and as at the Latest Practicable Date.

The shareholding structure of FVSC (VN) immediately prior to 27 April 2017 was as follows:

| Shareholder   | Ordinary shares of par value of VND10,000 each | %             |
|---------------|------------------------------------------------|---------------|
| PRG Holdings  | 7,999,960                                      | 99.9995       |
| FMSB (MY)     | 20                                             | 0.00025       |
| PGSB          | 20                                             | 0.00025       |
| <b>Total:</b> | <b>8,000,000</b>                               | <b>100.00</b> |

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 27 April 2017, the registered and paid up charter capital of FVSC (VN) was increased from VND80,000,000,000 to VND147,000,000,000 by the creation of 6,700,000 new ordinary shares of par value of VND10,000 each all credited as fully paid up at par by way of capitalisation of the retained earnings of FVSC (VN) up to the extent of VND67,000,000,000. All the newly issued 6,700,000 ordinary shares were allotted and issued to PRG Holdings, FMSB (MY) and PGSB in proportion to their respective shareholdings in FVSC (VN) on 27 April 2017 and rank pari passu with the ordinary shares in issue immediately prior to the new issue. The shareholding of FVSC (VN) immediately after the new issue was as follows:

| Shareholder   | Ordinary shares<br>of par value of<br>VND10,000 each | %                    |
|---------------|------------------------------------------------------|----------------------|
| PRG Holdings  | 14,699,926                                           | 99.9995              |
| FMSB (MY)     | 37                                                   | 0.00025              |
| PGSB          | <u>37</u>                                            | <u>0.00025</u>       |
| <b>Total:</b> | <b><u>14,700,000</u></b>                             | <b><u>100.00</u></b> |

On 27 April 2017, PRG Holdings transferred 14,699,926 ordinary shares in FVSC (VN) (equivalent to 99.9995% interest in FVSC (VN)) to WTSB (MY), our wholly-owned subsidiary, at a consideration of VND146,999,260,000 (based on the net asset value of FVSC (VN) as at 31 December 2016), which was settled in full on 27 April 2017 by the allotment and issue, credited as fully paid, of 897,072 shares in WTSB (MY) to PRG Holdings.

On 27 April 2017, PGSB transferred 37 ordinary shares in FVSC (VN) (equivalent to 0.00025% interest in FVSC (VN)) to FSWSB (MY), our wholly-owned subsidiary, at a cash consideration of VND370,000 (based on the net asset value of FVSC (VN) as at 31 December 2016), which was settled in full on 27 April 2017.

The above changes and transfers were to facilitate the implementation of the Reorganisation. FVSC (VN) remains our wholly-owned subsidiary immediately after these changes and transfers. The shareholding structure of FVSC (VN) immediately after these changes and transfers and up to the Latest Practicable Date was as follows:

| Shareholder   | Ordinary shares<br>of par value of<br>VND10,000 each | %                    |
|---------------|------------------------------------------------------|----------------------|
| WTSB (MY)     | 14,699,926                                           | 99.9995              |
| FMSB (MY)     | 37                                                   | 0.00025              |
| FSWSB (MY)    | <u>37</u>                                            | <u>0.00025</u>       |
| <b>Total:</b> | <b><u>14,700,000</u></b>                             | <b><u>100.00</u></b> |

As confirmed by the Malaysian Legal Advisers and the Vietnamese Legal Advisers, each of the above changes and transfers had been properly and legally completed in compliance with the relevant laws and regulations of Malaysia and Vietnam, respectively, and with the requisite consent from the Department of Planning and Investment of Dong Nai Province, Vietnam duly obtained.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### PEWAV (VN)

PEWAV (VN) was our wholly-owned subsidiary throughout the Track Record Period and as at the Latest Practicable Date.

The shareholding structure of PEWAV (VN) immediately prior to 18 April 2017 was as follows:

| Shareholder   | Registered and<br>paid up charter<br>capital<br>(US\$) | %                           |
|---------------|--------------------------------------------------------|-----------------------------|
| PRG Holdings  | 900,000                                                | 42.86                       |
| FVSC (VN)     | <u>1,200,000</u>                                       | <u>57.14</u>                |
| <b>Total:</b> | <b><u><u>2,100,000</u></u></b>                         | <b><u><u>100.00</u></u></b> |

On 18 April 2017, PRG Holdings transferred its entire interest in the registered and paid up charter capital of PEWAV (VN) in the amount of US\$900,000 (equivalent to 42.86% interest in PEWAV (VN)) to WTSB (MY), our wholly-owned subsidiary, at a consideration of VND16,866,449,161 (based on the net asset value of PEWAV (VN) as at 31 December 2016), which was settled in full on 27 April 2017 by the allotment and issue, credited as fully paid, of 102,928 shares in WTSB (MY) to PRG Holdings.

The above transfer was to facilitate the implementation of the Reorganisation. PEWAV (VN) remains our wholly-owned subsidiary immediately after the transfer. The shareholding structure of PEWAV (VN) immediately after the transfer and up to the Latest Practicable Date was as follows:

| Shareholder   | Registered and<br>paid up charter<br>capital<br>(US\$) | %                           |
|---------------|--------------------------------------------------------|-----------------------------|
| WTSB (MY)     | 900,000                                                | 42.86                       |
| FVSC (VN)     | <u>1,200,000</u>                                       | <u>57.14</u>                |
| <b>Total:</b> | <b><u><u>2,100,000</u></u></b>                         | <b><u><u>100.00</u></u></b> |

As confirmed by the Malaysian Legal Advisers and the Vietnamese Legal Advisers, the above transfer had been properly and legally completed in compliance with the relevant laws and regulations of Malaysia and Vietnam, respectively, and with the requisite consent from the Department of Planning and Investment of Dong Nai Province, Vietnam duly obtained.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### FCV (VN)

FCV (VN) was our non wholly-owned subsidiary in which we had 82.01% equity interest throughout the Track Record Period and immediately prior to the FCV (VN) Shareholding Changes became effective on 14 September 2017. The shareholding structure of FCV (VN) during the Track Record Period and immediately prior to the FCV (VN) Shareholding Changes became effective on 14 September 2017 was as follows:

| Shareholder   | Registered and<br>paid up charter<br>capital<br>(US\$) | %                    |
|---------------|--------------------------------------------------------|----------------------|
| FVSC (VN)     | 2,132,036                                              | 82.01                |
| Scoot         | 312,892                                                | 12.03                |
| Shann         | <u>155,072</u>                                         | <u>5.96</u>          |
| <b>Total:</b> | <u><u>2,600,000</u></u>                                | <u><u>100.00</u></u> |

On 26 July 2017, FVSC (VN), Scoot, Shann and Lubra Beteiligungsgesellschaft mbH (“**Lubra**”) entered into a share purchase agreement pursuant to which FVSC (VN), Scoot and Shann agreed to transfer an aggregate of 17.37% interest in FCV (VN) to Lubra at an aggregate consideration of US\$11,194 as follows:

- as to 14.24% equity interest in FCV (VN) by FVSC (VN) to Lubra at a cash consideration of US\$9,179;
- as to 2.09% equity interest in FCV (VN) by Scoot to Lubra at a cash consideration of US\$1,347; and
- as to 1.04% equity interest in FCV (VN) by Shann to Lubra at a cash consideration of US\$668.

The consideration for the transfers was determined after taking into consideration the audited net asset of FCV (VN) of approximately US\$28,888 as at 31 December 2016 and the synergy effect and benefits expected to be brought to FCV (VN) in the long run in having Lubra as its shareholder.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The shareholding structure of FCV (VN) immediately after completion of the above transfers of registered and paid up charter capital of FCV (VN) on 14 September 2017 was as follows:

| Shareholder   | Registered and<br>paid up charter<br>capital<br>(US\$) | %                    |
|---------------|--------------------------------------------------------|----------------------|
| FVSC (VN)     | 1,761,665                                              | 67.77                |
| Lubra         | 451,665                                                | 17.37                |
| Scoot         | 258,537                                                | 9.94                 |
| Shann         | <u>128,133</u>                                         | <u>4.92</u>          |
| <b>Total:</b> | <u><u>2,600,000</u></u>                                | <u><u>100.00</u></u> |

Following completion of the above transfers, the registered charter capital of FCV (VN) was then increased by US\$1,310,000 from US\$2,600,000 to US\$3,910,000 with effect from 14 September 2017. The increase in registered charter capital in FCV (VN) was contributed by Lubra in full in cash on 8 August 2017.

The shareholding structure of FCV (VN) immediately after the above increase in registered and paid up charter capital of FCV (VN) was as follows:

| Shareholder   | Registered and<br>paid up charter<br>capital<br>(US\$) | %                    |
|---------------|--------------------------------------------------------|----------------------|
| FVSC (VN)     | 1,761,665                                              | 45.06                |
| Lubra         | 1,761,665                                              | 45.06                |
| Scoot         | 258,537                                                | 6.61                 |
| Shann         | <u>128,133</u>                                         | <u>3.27</u>          |
| <b>Total:</b> | <u><u>3,910,000</u></u>                                | <u><u>100.00</u></u> |

FCV (VN) ceased to be our subsidiary and became our associate, in which we hold a 45.06% equity interest, immediately following completion of the above transfers and increase in registered and paid upon charter capital of FCV (VN) upon obtaining the requisite consent from the department of Planning and Investment of Dong Nai Province, Vietnam on 14 September 2017.

As confirmed by our Vietnamese Legal Advisers, the above transfers of and increase in registered and paid up charter capital in FCV (VN) had been properly and legally completed in compliance with the relevant laws and regulations of Vietnam with the requisite consent from the department of Planning and Investment of Dong Nai Province, Vietnam duly obtained.

Lubra as a shareholder to FCV (VN) is expected to synergise the cost advantage of FCV (VN) and Lubra's client base as well as its technical expertise in the development and supply of functional fittings (such as metal and mechanical parts) for upholstered furniture. Our Directors anticipate that this will be in the long-term interests of FCV (VN) by extending its product mix and sales channels, and will help to improve its financial performance. As the products of FCV (VN) accounted for approximately 5.5% of

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

our Group's revenue during the Track Record Period, our Directors anticipate that by introducing Lubra as a shareholder of FCV (VN) who will bring in new capital and expertise, our Group can direct more of its management and financial resources for the development of our core businesses in elastic textile and webbing products in the future.

### OUR MAJOR ACQUISITIONS AND DISPOSALS

We did not have any major acquisitions or disposals during the Track Record Period other than the intra-group transfers as referred to in “Significant Shareholding Changes in Members of our Group during the Track Record Period and up to the Latest Practicable Date” in this section above.

### OUR REORGANISATION

Our Group underwent the Reorganisation to rationalise our Group's structure in contemplation of the Listing. Further information on the Reorganisation is set out in “Statutory and General Information — Further Information about our Company and Other Members of our Group — 4. Group reorganisation” in Appendix V to this prospectus. The Reorganisation had been properly and legally completed in compliance with the relevant laws and regulations of the British Virgin Islands and the Cayman Islands.

### APPROVAL FROM SHAREHOLDERS OF PRG HOLDINGS

As advised by our Malaysian Legal Advisers, the obtaining of the approval by ordinary resolution of the shareholders of PRG Holdings (“**PRG Shareholders' Approval**”) is required under the Main Market Listing Requirements of Bursa Malaysia (“**Malaysian Listing Rules**”) for or in connection with the listing of the Shares of our Company, as a subsidiary of PRG Holdings, on GEM.

As confirmed by our Malaysian Legal Advisers, in relation to the Share Offer:

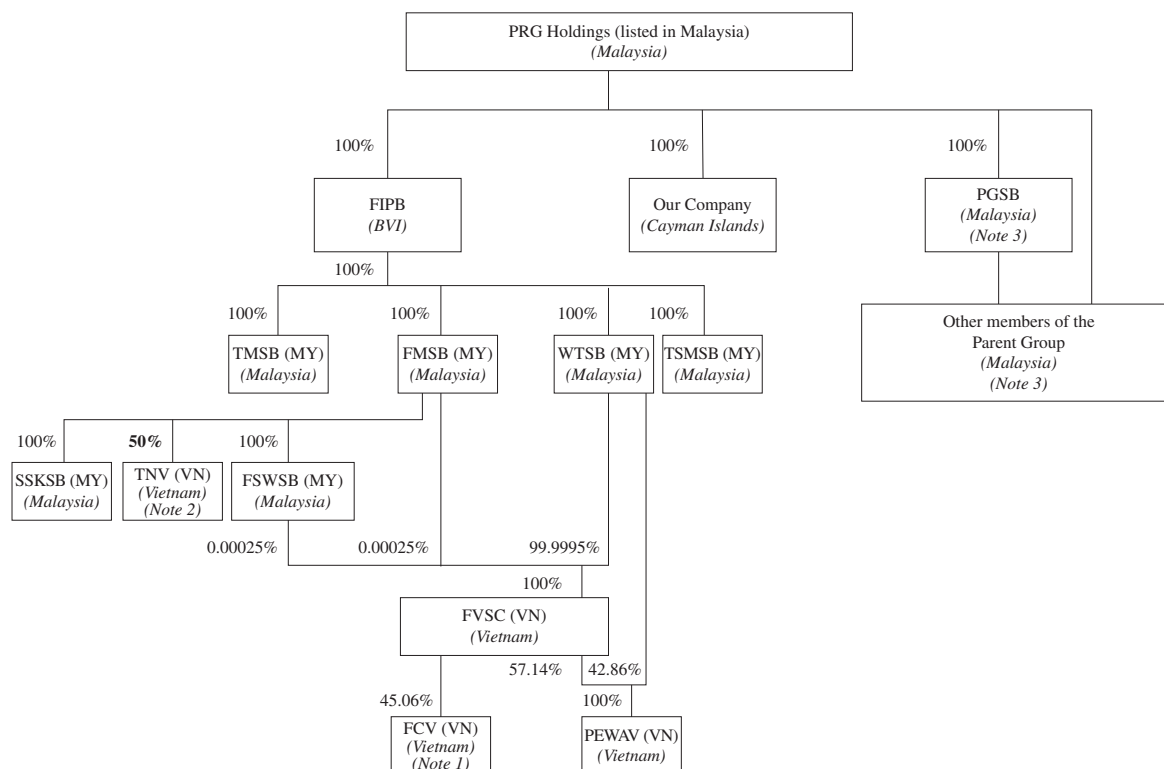
- PRG Holdings has on 21 July 2017 obtained the PRG Shareholders' Approval at an extraordinary general meeting of PRG Holdings held on that day at which no person was required to abstain from voting in compliance with the requirements of the Malaysian Listing Rules;
- other than the obtaining of the PRG Shareholders' Approval, no other consent or regulatory approval or requirement has to be obtained or otherwise complied with by PRG Holdings in Malaysia for or in connection with the Listing; and
- no assured entitlement of the Offer Shares is required to be offered and none will be offered by PRG Holdings to its shareholders under the requirements in Malaysia.



# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

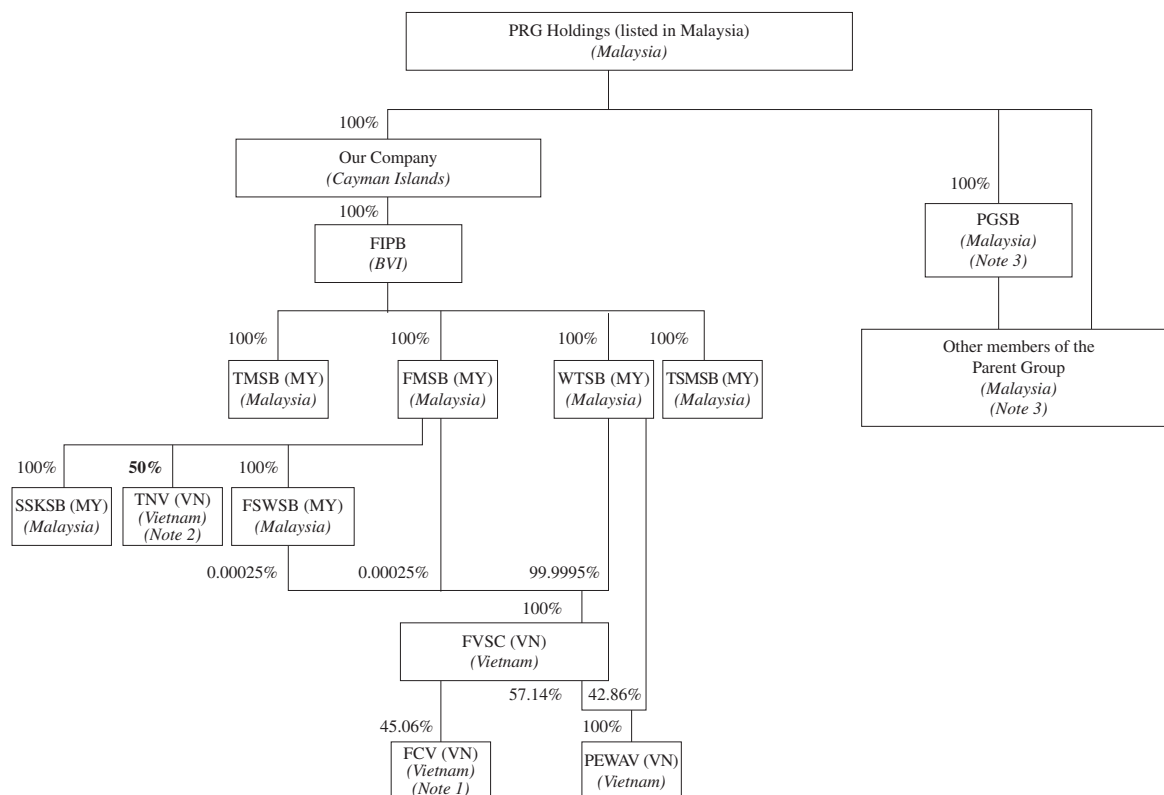
## CORPORATE STRUCTURE

The chart below sets out the corporate structure of our Group immediately **before** completion of the Reorganisation:



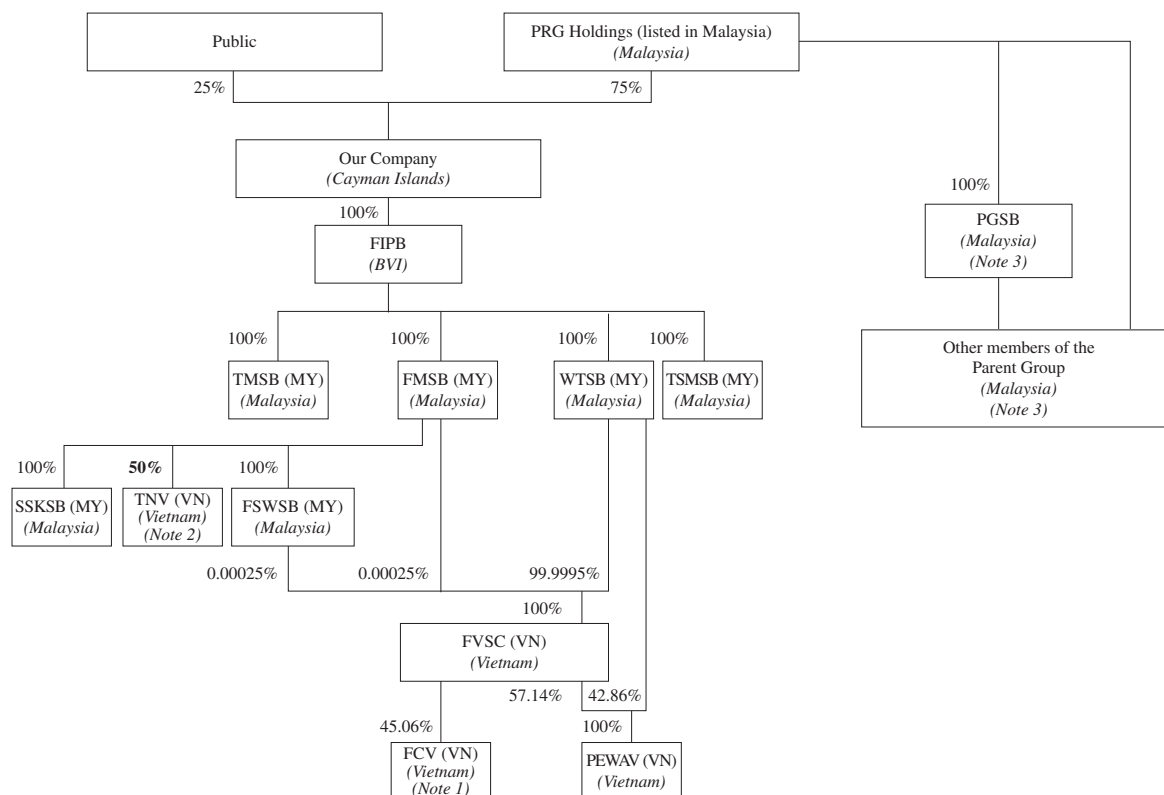
## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The chart below sets out the corporate structure of our Group immediately **after** completion of the Reorganisation but prior to completion of the Capitalisation Issue and the Share Offer:



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The chart below sets out the corporate structure of our Group immediately **after** completion of the Capitalisation Issue and the Share Offer (assuming that the Offer Size Adjustment Option and any options as may be granted under the Share Option Scheme are not exercised at all):



### Notes:

- For details of other shareholders, see Note 5(b) to “Major Operating Members, Other Members and Joint Venture of our Group — Simplified Corporate Structure of Our Group” in this section.
- TNV (VN) is our joint venture. For details of other shareholders, see Note 6 to “Major Operating Members, Other Members and Joint Venture of our Group — Simplified Corporate Structure of our Group” in this section.
- These companies are members of the Parent Group and do not form part of our Group. The principal business of the Parent Group is property development and construction in Malaysia, which is entirely different from and does not compete with the businesses of our Group. See “Relationship with our Controlling Shareholder — Our Controlling Shareholder — Information on PRG Holdings” and “Relationship with our Controlling Shareholder — Competition — Clear delineation of our businesses” in this prospectus for further information of the business of the Parent Group.
- The principal business activities of our Group members are set out in the two tables in “Major Operating Members, Other Members and Joint Venture of our Group — Our Operating Members and Joint Venture” and “Major Operating Members, Other Members and Joint Venture of our Group — Other Members of our Group”, respectively, in this section above.

## OVERVIEW

We are a long established elastic textile and webbing manufacturer in Malaysia and Vietnam. Founded in 1987 as a covered elastic yarn and furniture webbing manufacturer, we have since leveraged our weaving and knitting know-hows in producing elastic textile and webbing products to further expand our product mix. From 1989 to 2002, we had therefore included narrow elastic fabric and seat belt webbing as our major products. Sales of these products accounted for a substantial share of our revenue during the Track Record Period. We derived our core competitive strengths from, among other things, our comparatively large production capacity and diversified product portfolio which allow us to fulfil our customers' varying requirements on order size as well as product types and specifications. Our operating scale is reflected by the relative size of our revenue for some of our principal products which we all ranked first in terms of market share for FY2016:

**Market share of our Group  
in terms of revenue in FY2016** <sup>(Note 1)</sup>

| Principal product      | Malaysia              | Vietnam               |
|------------------------|-----------------------|-----------------------|
| <b>Elastic textile</b> |                       |                       |
| Covered elastic yarn   | 31.8%                 | 24.2%                 |
| Narrow elastic fabric  | — <sup>(Note 2)</sup> | 20.4%                 |
| <b>Webbing</b>         |                       |                       |
| Furniture webbing      | 54.4%                 | 44.4%                 |
| Seat belt webbing      | 84.3%                 | — <sup>(Note 2)</sup> |

Source: Frost & Sullivan

Notes:

1. Market share of our Group is derived from our revenue divided by the total revenue of the manufacturers for each product in the respective countries.
2. Data is not presented as we did not manufacture the respective products in these countries.

During the Track Record Period, we manufactured and sold (i) elastic textile comprising covered elastic yarn and narrow elastic fabric; (ii) webbing comprising furniture webbing and seat belt webbing; and (iii) other products comprising rubber tape and metal component for furniture. Most of our products which feature elasticity or high tensile strength, serve as the raw materials or components for a wide range of end products. Our elastic textile products are mainly used to produce gloves, bandages and intimate apparels; whereas our webbing products are mainly used in furniture and seat belt for automobiles. Our elastic textile and webbing products accounted for over 84.0% of our revenue for each of FY2015, FY2016 and 1Q2017. We had over 600 customers during the Track Record Period, most of them being manufacturers of the above end products, including certain branded goods manufacturers or their contractors. We also produced other products including rubber tapes mainly for medical disposable and household appliance and metal components for furniture as some of our elastic textile and webbing customers also require these products. These other products in aggregate accounted for less than 16.0% of our revenue during the Track Record Period. During the Track Record Period, our products were exported to over 30 countries, including the United States, the United Kingdom, India, Indonesia, Australia, Sri Lanka and Pakistan. Export sales accounted for 55.9%, 53.9% and 53.2% of our revenue for FY2015, FY2016 and 1Q2017, respectively.

## BUSINESS

The demand for our products is largely dependent on demand from our manufacturing customers in the downstream industries which is in turn affected by the global demand for the respective end products. The following table sets out the historical and forecast demand for our principal products during the respective periods:

| Principal products     | Market Growth Rate (CAGR)    |                            |                              |                            |                              |                            |
|------------------------|------------------------------|----------------------------|------------------------------|----------------------------|------------------------------|----------------------------|
|                        | Malaysia                     |                            | Vietnam                      |                            | Global                       |                            |
|                        | 2011 to 2016<br>(Historical) | 2016 to 2021<br>(Forecast) | 2011 to 2016<br>(Historical) | 2016 to 2021<br>(Forecast) | 2011 to 2016<br>(Historical) | 2016 to 2021<br>(Forecast) |
| <b>Elastic textile</b> |                              |                            |                              |                            |                              |                            |
| Covered elastic yarn   | 15.0%                        | 12.4%                      | 15.4%                        | 14.7%                      | 8.1%                         | 8.4%                       |
| Narrow elastic fabric  | — <sup>(Note)</sup>          | — <sup>(Note)</sup>        | 15.6%                        | 15.8%                      | 6.2%                         | 6.3%                       |
| <b>Webbing</b>         |                              |                            |                              |                            |                              |                            |
| Furniture webbing      | 10.9%                        | 11.3%                      | 9.0%                         | 9.8%                       | 9.4%                         | 10.1%                      |
| Seat belt webbing      | 5.0%                         | 5.0%                       | — <sup>(Note)</sup>          | — <sup>(Note)</sup>        | 5.6%                         | 5.1%                       |

*Note:* Data is not presented as we did not manufacture the respective products in these countries.

*Source:* Frost & Sullivan

As a result of the global economic growth, rise in personal income, urbanisation of developing countries and growing awareness of industrial safety, it is anticipated that there will be continuous increase in demand for apparel, intimate apparel, gloves, furniture and automobiles worldwide which will drive the demand for our principal products. Accordingly, there will be continuous growth in global demand for most of our principal products from 2016 to 2021.

On the other hand, attracted by its lower cost (such as labour cost) and favourable taxation environment, increasing number of manufacturers are setting up their production base in Vietnam. The end products produced by these manufacturers, such as apparels, intimate apparels and furniture, are mostly exported overseas to satisfy global demand. The increasing productivity in Vietnam will therefore result in higher CAGRs for the demand for our principal products than the global average from 2016 to 2021. Likewise, the manufacturing sectors in Malaysia are expected to benefit from its lower costs when compared to its counterparts in countries such as Japan and China, resulting in continuous increasing demand for elastic textile and webbing products.

Leveraging our historical growth during the Track Record Period, our Directors are confident that we would be able to ride on the growth trend in the above markets and continue to expand our business in the future.

With an operating history of almost 30 years in Malaysia and nearly 20 years in Vietnam, we have established a solid foundation in the industry by:

- (i) offering a wide range of products;
- (ii) developing customised products that satisfy our customers' changing product specifications in, among other things, raw materials, colour, width, style, elasticity or tensile strength;
- (iii) supplying products of high and consistent quality; and
- (iv) establishing long-standing relationships with our major customers.

## BUSINESS

As at the Latest Practicable Date, we had three production facilities in Malaysia and two production facilities in Vietnam (excluding the production facility held by FCV (VN), our subsidiary prior to 14 September 2017). Our first major operating subsidiary was set up in Malaysia in 1987, and we established our operation in Vietnam to take advantage of the potential and business prospects of the Vietnamese market in 1997. Notwithstanding the fact that our operation in Vietnam has become larger than the one in Malaysia, our headquarters remains in Malaysia. Sales from our production facilities in Malaysia accounted for 38.3%, 35.7% and 37.0% of our revenue for FY2015, FY2016 and 1Q2017, respectively; whereas sales from our Vietnamese production facilities accounted for 61.7%, 64.3% and 63.0% of our revenue for the same period, respectively.

For FY2015 and FY2016, our revenue amounted to RM89.0 million and RM97.9 million, respectively, representing a year-on-year growth of 10.0%. For 1Q2016 and 1Q2017, our revenue amounted to RM22.3 million and RM27.9 million, respectively, representing a period-on-period growth of 25.1%. For FY2015 and FY2016, our gross profit amounted to RM20.9 million and RM26.9 million, respectively, representing a year-on-year growth of 28.7%. For 1Q2016 and 1Q2017, our gross profit amounted to RM4.9 million and RM8.3 million, respectively, representing a period-on-period growth of 69.4%. Our gross profit margin was 23.5%, 27.5% and 29.7% for FY2015, FY2016 and 1Q2017, respectively.

### Our principal products

During the Track Record Period, our products were mainly categorised into three segments, namely: (i) elastic textile; (ii) webbing; and (iii) other products comprising rubber tape and metal component for furniture. The following table illustrates our principal products and the major products and industries of our customers:

| Our principal products                                                 | Applications                                               | Our customers' industries             |
|------------------------------------------------------------------------|------------------------------------------------------------|---------------------------------------|
| <b>Elastic textile</b>                                                 |                                                            |                                       |
| Covered elastic yarn                                                   | Glove and sock                                             | Apparel                               |
|                                                                        | Glove                                                      | Industrial and household applications |
|                                                                        | Bandage                                                    | Medical                               |
|                                                                        | Elastic band for food packaging                            | Food packaging                        |
| Narrow elastic fabric                                                  | Underwear                                                  | Intimate apparel                      |
| <b>Webbing</b>                                                         |                                                            |                                       |
| Furniture webbing                                                      | Sofa and chair                                             | Furniture                             |
| Seat belt webbing                                                      | Seat belt for automobile                                   | Automotive                            |
| <b>Other products</b>                                                  |                                                            |                                       |
| Rubber tape                                                            | Medical disposable such as esmark bandage and tourniquet   | Health care                           |
|                                                                        | Rubber sheet for end closure of disposable vacuum dust bag | Household appliance                   |
|                                                                        | Swimwear and underwear                                     | Apparel                               |
| Metal component for furniture such as recliner mechanism and bed frame | Sofa, chair and bed                                        | Furniture                             |

## BUSINESS

The following table sets out our revenue by our product segments and the percentage contribution of each product segment to our revenue during the Track Record Period:

|                                        | Year ended 31 December |              |               |              | Three months ended 31 March |              |               |              |
|----------------------------------------|------------------------|--------------|---------------|--------------|-----------------------------|--------------|---------------|--------------|
|                                        | 2015                   |              | 2016          |              | 2016                        |              | 2017          |              |
|                                        | RM'000                 | %            | RM'000        | %            | RM'000                      | %            | RM'000        | %            |
|                                        |                        |              |               |              | <i>(Unaudited)</i>          |              |               |              |
| <b>Elastic textile</b>                 | 46,230                 | 52.0         | 53,290        | 54.4         | 11,845                      | 53.2         | 14,035        | 50.2         |
| <b>Webbing</b>                         | 29,335                 | 32.9         | 32,028        | 32.7         | 7,462                       | 33.5         | 10,384        | 37.2         |
| <b>Other products<sup>(Note)</sup></b> | <u>13,469</u>          | <u>15.1</u>  | <u>12,619</u> | <u>12.9</u>  | <u>2,976</u>                | <u>13.3</u>  | <u>3,516</u>  | <u>12.6</u>  |
| <b>Total</b>                           | <u>89,034</u>          | <u>100.0</u> | <u>97,937</u> | <u>100.0</u> | <u>22,283</u>               | <u>100.0</u> | <u>27,935</u> | <u>100.0</u> |

*Note:* During the Track Record Period, other products comprised rubber tapes and metal components for furniture.

### COMPETITIVE STRENGTHS

The following competitive strengths have contributed towards our success and we believe that these strengths will continue to help us compete, expand and consolidate our market position:

**We are a long established elastic textile and webbing manufacturer in Malaysia and Vietnam that serves customers of different operation scales**

With an operating history of almost 30 years in Malaysia and nearly 20 years in Vietnam, we have established five production facilities as at the Latest Practicable Date (excluding the production facility held by FCV (VN), our subsidiary prior to 14 September 2017), of which the annual production capacity for FY2017 is estimated at <sup>(Note)</sup>:

- 890,000 kg of covered elastic yarn and 95,386,000 m of narrow elastic fabric;
- 41,760,000 m of furniture webbing and 15,360,000 m of seat belt webbing; and
- 769,000 kg of rubber tape.

*Note:* Save for the production capacity of narrow elastic fabric which was enlarged in 1Q2017 by new machinery, there was no major change in production capacity in 1Q2017 and for the purpose of this estimation no major change is assumed to take place during the nine months ending 31 December 2017.

Throughout our years of operation, our scaled production capacities and experienced management and well-trained employees had been instrumental in our business development by enabling us to (i) be flexible in accepting sales orders of various size and fulfilling large orders in a timely manner; (ii) achieve economies of scale through centralising our raw material purchases and enhancing the effectiveness of our fixed overheads; and (iii) produce customised products of different specifications. Our cost effectiveness in producing high quality products of different specifications was further enhanced when we set up our production facility in Vietnam in 1997, where labour supply was abundant, operation costs were relatively lower and favourable taxation environment for foreign investments had been introduced. Our competitive strengths in these regards enable us to serve customers of different operation scales. Thus, according to the Frost & Sullivan Report, we ranked first in terms of market share in FY2016 amongst manufacturers of:

- covered elastic yarn in Malaysia and Vietnam;
- narrow elastic fabric in Vietnam;
- furniture webbing in Malaysia and Vietnam; and
- seat belt webbing in Malaysia.

Our competitiveness in these regards has enabled us to develop a broad customer base and source quality suppliers, which differentiates our Group from our competitors.

### **We offer a wide range of products**

We started our business primarily as a covered elastic yarn and furniture webbing manufacturer. Over the years, capitalising on our know-how in weaving and knitting, which are the major processes for producing textiles as well as webbings, we diversified our product mix to include elastic textile and webbing products which we considered to have promising business opportunities. In this connection, we started to produce seat belt webbing in 1989, when we witnessed an increasing demand for these products in Malaysia.

During the Track Record Period, we manufactured a wide range of products which have a wide range of applications. For example, (i) our covered elastic yarn and narrow elastic fabric are mainly used for the manufacturing of gloves, bandages, socks and underwear; (ii) our furniture webbing is mainly used for the manufacturing of sofas and chairs; (iii) our seat belt webbing is mainly used for the manufacturing of automobiles seat belts; and (iv) our rubber tape is mainly used in health care and household appliance industries.

Having the ability to offer a wide range of products enables us to reduce reliance on any specific type of customer and industry, expand our customer network in different industries and countries, and create cross-selling opportunities (for example, customers of furniture webbing may also purchase metal components for furniture whereas narrow elastic fabric customers may also purchase rubber tape).

### **We satisfy our customers' changing product specifications by developing customised products**

Apart from offering a wide range of high and consistent quality products, we believe our willingness and capability to cater the changing product specifications required by our customers has been instrumental in establishing our broad clientele. During the Track Record Period, we sold both standard and customised products to over 600 customers in over 30 countries who had



different product specifications. We had a product modification department consisting of 17 members as at the Latest Practicable Date which, together with our production department, look into and if required, adjust the production parameters to produce customised products of new specifications. Customisation in terms of, among other things, colour, thickness, style, elasticity, tensile strength, types of raw materials used and fabric construction may be achieved by having different choice or composition of raw materials, altering the technical parameters of production process by fine adjustment on the weaving or knitting process such as number of yarn to be used in the weaving or knitting process. Our sales and marketing, product modification and production departments work closely together to ensure that we have thorough knowledge of our customers' requirements and the products we manufactured fully complied with the requirements of our customers while being cost-worthy and profitable at the same time. For details, see "Business Model — Product modification and customisation" and "Product Modification" in this section.

To the best knowledge of our Directors, the downstream industries which most of our customers belong to are highly competitive. Our customers need to be responsive to the fast changing fashion trends and new products are therefore launched from time to time. Our Directors believe that our capability in customisation benefits our Group in the following ways:

- enhance our service quality by assisting our customers to implement their product development plans and eventually secure our close and long-term business relationships with them;
- increase the utilisation rate of our production facilities, reduce wastage of raw materials and enhance overall cost effectiveness by manufacturing customised products using similar raw materials and machinery; and
- reduce the risk of inventory obsolescence in association with generic products as customised products are made to confirmed sales orders.

Our Directors are of the view that our know-how in customisation was gained from our long operating history and industry experience. Our Directors further believe that our ability to respond promptly to our customers' changing product specifications from time to time has given us additional advantage over our competitors.

**We provide high and consistent quality products through the adoption of stringent quality control measures**

Our customers have stringent requirements on quality standards which include, among other things, specifications on elasticity or tensile strength, durability and safety of production materials due to the nature of their end products. Examples include intimate apparels that have close contact with human skin and seat belts which are vehicle safety device. It is equally important that the quality of our products is consistent in mass volume and among different production batches. Our Directors believe our market reputation and competitiveness is built upon our ability in fulfilling the foregoing requirements from time to time.

To maintain our competitive advantage, we have established stringent quality control and operational measures to ensure the quality of our products. We require our employees to adhere to a stringent set of standards set out in our internal quality manual which covers key stages of production from selection of qualified suppliers, inspection and testing of incoming raw materials, to manufacturing. In particular, at each key stage of the production process, our quality control department regularly monitors and employs manual, visual and scientific methods and equipment

to test the quality of our products. Sample tests relating to, among other things, tensility, abrasion, colour or weight are conducted to ensure that our products strictly comply with our customers' specifications and our internal quality standards. For details, see "Quality Control" in this section. Our production and product modification departments also collaborate with our quality control department to continually maintain or improve our product quality and production process.

In recognition of our quality management system, we have obtained the ISO9001:2008, ISO14001:2015 and ISO/TS16949:2009 certifications for our operations in Malaysia and Vietnam since 2006. Some of our products were also certified to have met requirements of Oeko-Tex® Standard 100, an internationally recognised certification system of textile product safety. For further details, see "Awards and Accreditations" in this section.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material product return request nor had we received any material complaint from our customers on the quality of our products. Our Directors believe that it was largely attributable to our ability to supply products of high and consistent quality.

We believe that our ability to supply products of high and consistent quality enables us to develop close and long-term business relationships with our customers and is one of the key reasons for the successful retainment of existing customers.

#### **We have long-standing relationships with our major customers**

We have built close and long-standing relationships with our major customers and have become a key supplier to them. It is an industry norm that our customers in general do not enter into long-term purchase contracts with suppliers for our kinds of products. Notwithstanding the foregoing, we have had over 10 and 17 years of business relationships as at the Latest Practicable Date with most of our five largest customers and our largest customer during the Track Record Period, respectively. Our Directors believe that our customers' loyalty was built on the quality of our products and services as well as our ability to satisfy their changing product specifications and designs. Our Directors further believe that we have earned the trust from our customers by our thorough understanding of their business operations which gives us another advantage over our competitors. Moreover, the long-standing relationship with these major customers also enables us to maintain a stable source of income.

#### **We possess an experienced management team with in-depth industry knowledge and experience**

We are led by, among others, our founders and experienced senior management team, including Mr. Cheah Eng Chuan (one of the co-founders of our Group and executive Director), Mr. Lee Sim Hak (one of the co-founders of our Group and a member of our senior management) and Mr. Ong Lock Hoo (one of the co-founders of our Group and a member of our senior management). Each of Mr. Cheah Eng Chuan, Mr. Lee Sim Hak and Mr. Ong Lock Hoo has almost 30 years of experience in the elastic textile and webbing industry. Our other Directors and senior management, namely Dato' Lim Heen Peek (our non-executive Director and chairman who has been serving PRG Holdings as the non-executive chairman for over 10 years), Dato' Lua Choon Hann (our executive Director) and Mr. Tan Chuan Dyi (our executive Director), are also experienced in corporate development and operational and financial management and have contributed to our business development and corporate governance during the Track Record Period. Under the guidance and leadership of our existing Directors and senior management, we have

## BUSINESS

grown from a Malaysian company that produced covered elastic yarn and furniture webbing to a manufacturing group with six production facilities based in Malaysia and Vietnam offering diversified products to over 600 customers.

We are of the view that the knowledge, dedication and stability of our management team has been fundamental to our success and we will be able to continue to explore new business opportunities and strengthen our position in the market leveraging the experience and dedication of our management team. For biographical details of our Directors and senior management, see “Directors and Senior Management” in this prospectus.

### OUR BUSINESS STRATEGIES

Our goal is to maintain our market position in the industry in Malaysia and Vietnam and further develop our existing business by (i) expanding our production capacity; (ii) moving into new product applications and markets; (iii) enhancing our quality control systems; and (iv) upgrading our information technology systems to improve management efficiency. Set out below are the details of our strategies.

#### Expand our production capacity

As at the Latest Practicable Date, we had three production facilities in Malaysia and two production facilities in Vietnam (excluding the production facility held by FCV (VN), our subsidiary prior to 14 September 2017) with an aggregate gross floor area of 195,227.0 sq.ft. and 346,237 sq.ft., respectively. Set out below are the production volume and utilisation rate of the capacity for some of our major products in 1Q2017:

|                       | Unit (million) | Production volume |        | Utilisation rate of production capacity |                          |
|-----------------------|----------------|-------------------|--------|-----------------------------------------|--------------------------|
|                       |                | FY2016            | 1Q2017 | FY2016                                  | 1Q2017 <sup>(Note)</sup> |
| Narrow elastic fabric | metre          | 75.4              | 17.5   | 88.2%                                   | 76.0%                    |
| Covered elastic yarn  | kg             | 0.8               | 0.2    | 87.9%                                   | 95.4%                    |
| Seat belt webbing     | metre          | 14.2              | 4.4    | 92.4%                                   | 115.8%                   |

*Note:* Production capacity for 1Q2017 is estimated at approximately one-fourth of the designed production capacity for FY2017.

As shown in the above table, our existing production facilities for certain major products have been heavily utilised. See “Production — Production capacity and utilisation” in this section for further details.

## BUSINESS

According to the Frost & Sullivan Report, demand for elastic textile and webbing is expected to grow for the coming few years; and the current status of the TPP and its eventual outcome should not have any negative impact on the existing or future business operations of our Group. Further details about the TPP are set out in “Industry Overview — The Trans-Pacific Partnership” in this prospectus. Set out below are the projected CAGRs of the demand for the respective products from 2016 to 2021 extracted from the Frost & Sullivan Report:

|                       | <b>Malaysia</b>     | <b>Vietnam</b>      | <b>Global</b> |
|-----------------------|---------------------|---------------------|---------------|
| Narrow elastic fabric | — <sup>(Note)</sup> | 15.8%               | 6.3%          |
| Covered elastic yarn  | 12.4%               | 14.7%               | 8.4%          |
| Seat belt webbing     | 5.0%                | — <sup>(Note)</sup> | 5.1%          |

*Note:* Our Group did not produce such products in the relevant country.

Malaysia and Vietnam are amongst the lower cost countries in Asia. As such, there have been increasing number of manufacturers in the textile and automotive industries setting up their production bases in Malaysia and Vietnam whose production activities will generate increasing demand as well as resulting in higher CAGRs for the demand of our kinds of products in these two countries than the global average from 2016 to 2021. Our Directors are of the view that because of our comparative advantages derived from, among other things, our (i) position as being the largest manufacturer of our elastic textile and webbing products in Malaysia and/or Vietnam in terms of revenue in 2016; (ii) comparatively large production capacity, diversified product portfolio and capability in product customisation which allow us to achieve economies of scale and fulfill our customers’ varying requirements on order size and specifications; and (iii) high and consistent product quality, it is anticipated that our Group will remain as or likely be a preferred supplier to our existing or prospective customers and therefore the continuous industrial development in Malaysia and Vietnam as aforesaid will increase the demand for our Group’s products. In order to capture the emerging business opportunities, we plan to expand our production capacity in the following ways:

|                            |                                                                                                                                                                                                                                                                                                                                        |
|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Major product</b>       | <b>: Narrow elastic fabric</b>                                                                                                                                                                                                                                                                                                         |
| Annual production capacity | : As at Latest Practicable Date — 95.4 million metre<br><br>By end of FY2019 — 116.5 million metre                                                                                                                                                                                                                                     |
| Expansion plan             | : Establish a new production facility on a vacant site area within the land currently leased and used by our Group in Vietnam for a term ending in January 2048.<br><br>Acquire and install 40 needle machines and three covering machines in our existing production facilities in Vietnam and the foregoing new production facility. |
| Timeline                   | : Construction of new factory is expected to commence during the six months ending 30 June 2018 and complete during the six months ending 30 June 2019.<br><br>Acquisition of machines is expected to take place during the period from 1 January 2018 to 31 December 2019.                                                            |

## BUSINESS

Total investment : HK\$20.4 million, comprising HK\$15.5 million for the construction of new factory and HK\$4.9 million for acquiring new machines.

**Major product : Covered elastic yarn**

Annual production capacity : As at Latest Practicable Date — 0.9 million kg

By end of FY2019 — 1.1 million kg

Expansion plan : Acquire and install six covering machines in our production facilities in Vietnam from the Listing Date to FY2019.

Timeline : Acquisition of machines is expected to take place during the period from 1 January 2018 to 30 June 2019.

Total investment : HK\$0.7 million

**Major product : Seat belt webbing**

Annual production capacity : As at Latest Practicable Date — 15.4 million metre

By end of FY2019 — 21.5 million metre

Expansion plan : Acquire and install eight weaving machines, one cutting machine and one dyeing machine in our existing production facilities in Malaysia from the Listing Date to FY2019.

Timeline : Acquisition of machines is expected to take place during the period from the Listing Date to 31 December 2019.

Total investment : HK\$11.3 million

We intend to invest HK\$32.4 million, in aggregate, for the expansion of production capacity which will be financed with the net proceeds from the Share Offer. For details, see “Production — Expansion plan” in this section and “Statement of Business Objectives and Use of Proceeds” in this prospectus.

### **Move into new product applications and markets**

Capitalising on our existing product variety and customer base, we plan to further our business by extending the applications of our products and to explore new export markets.

#### ***Extend applications of narrow elastic fabrics***

During the Track Record Period, we supplied narrow elastic fabrics mainly to underwear manufacturers, while narrow elastic fabrics have wide applications in apparel industry other than underwear, such as sportswear. According to the Frost & Sullivan Report, the demand for sportswear, such as running clothes, swimwear and yoga clothing, has been rising and an increasing number of new and niche type of sportswear has been developed in recent years. Narrow elastic fabric is widely applied in sportswear. Therefore, booming and diversified development of sportswear is expected to fuel up the demand for narrow elastic fabric. In this regard, we plan to leverage our solid experience in producing narrow elastic fabric for intimate apparel companies to develop applications in sportswear, so that we

can promote our narrow elastic fabric to sportswear manufacturers. As at the Latest Practicable Date, we are undergoing discussion with prospective branded sportswear manufacturers for expanding the application of our narrow elastic fabric to sportswear.

***Export seat belt webbing to South Korea***

According to the Frost & Sullivan Report, South Korea is considered a key production base of automobile which ranked sixth in the world in 2016 in terms of production volume. Automobile production generates demand for seat belt systems and thus seat belt webbing. Demand for seat belt webbing in South Korea is projected to increase from RM149.0 million in 2016 to RM167.0 million in 2021, representing a CAGR of 2.3%. Customers in South Korea and other countries generally have similar requirements in quality standards. In view of its business opportunities, we plan to explore the seat belt webbing market in South Korea with the following strategies:

- reach out to a major automobile safety belt manufacturer in South Korea, a group which includes one of our five largest customers for FY2016 and 1Q2017, Customer F, which procured our seat belt webbing for its production operation in India;
- establish and maintain stable business relationship with the targeted potential customer;
- strengthen our market presence by leveraging our business relationship with the targeted potential customer and gradually increase our business volume in South Korea; and
- ensure that we have sufficient production capacity to fulfill the purchase orders from this potential new market.

As at the Latest Practicable Date, we were communicating with the major automobile safety belt manufacturer in South Korea which was testing our product samples. Our Directors anticipate that (i) all testing procedures will be completed and business negotiations will commence by the end of 2017; (ii) upon acceptance by the automobile safety belt manufacturer, sales to this potential customer will commence during the six months ending 30 June 2018; and (iii) the products that this potential customer may source from us may be different from those we supplied to our other customers in terms of specifications and quality standards, which depend on, among other things, the requirements of their respective automobile manufacturing customers and therefore, our Directors do not anticipate that the proposed sale of our products to this potential customer will materially and adversely affect our business with our existing customers. To cater for the increasing demand from our existing and potential new markets, we also plan to expand our production capacity for seat belt webbing. See “Statement of Business Objectives and Use of Proceeds” in this prospectus for details of our implementation plan.

***Expand customer base***

To further expand our customer base, it is also our plan to solicit branded goods manufacturers or their contractors and traders.

To implement the foregoing strategies, we plan to undertake the following measures:

- monitor the latest market trend and explore new applications of our products;
- make more visits to existing and new customers to strengthen or develop our relationships and introduce to them the new applications of our products;

## BUSINESS

- increase our participation in overseas trade fairs and exhibitions to promote our Group and meet potential customers; and
- recruit additional sales and marketing personnel for our operations in both Malaysia and Vietnam.

Our product modification department has been instrumental in enabling us to provide customised products in order to satisfy the different product specifications of our customers. Our product modification department studies the product requirements of our existing and prospective customers and provides advice and support in customisation through their experience and knowledge accumulated in our operations. Our product modification department will continue to keep abreast of the latest market trend in product design, production technology and raw materials in order to develop new product applications that are commercially and operationally feasible.

In this regard, it is also our plan to enhance the capability of our product modification department by increasing its headcount and acquiring additional testing equipment.

We intend to fund the investments or expenses to be incurred for moving into new product applications and markets with our internal resources and/or bank borrowings, as appropriate. For details, see “Statement of Business Objectives and Use of Proceeds” in this prospectus.

### **Enhance our quality control systems**

Our Directors are of the view that the high and consistent quality of our products has been one of our key competitive strengths. To uphold our market position, we believe it is crucial to maintain and continue to enhance the quality control systems in anticipation of the business expansion and solicitation of branded goods manufacturers as our customers. For further details of our quality control, see “Quality Control” in this section.

We plan to further the capability of our quality control department by increasing the headcount and improving the training program for new and existing personnel.

We intend to fund the enhancement of our quality control system with our internal resources and/or bank borrowings, as appropriate. For details, see “Statement of Business Objectives and Use of Proceeds” in this prospectus.

### **Improve our information technology systems**

We intend to allocate more resources to upgrade our information technology systems. For further details of our existing information technology systems, see “Information Technology” in this section. In view of our planned expansion of production capacity, development of new product applications and thus enlargement of product portfolio, broadening of our customer base and regional coverage as well as enhancement of quality control system, we need to upgrade our information technology systems to improve our efficiency and effectiveness in, including but not limited to, production and inventory management, sales and purchase processing, accounting and financial control, human resources management as well as communication among various operational units and production facilities. Therefore, we plan to invest HK\$2.0 million in upgrading our ERP system that serves our required functions. Our Directors believe that the upgraded ERP system will enhance our management and operational control and thus our cost effectiveness and competitiveness.

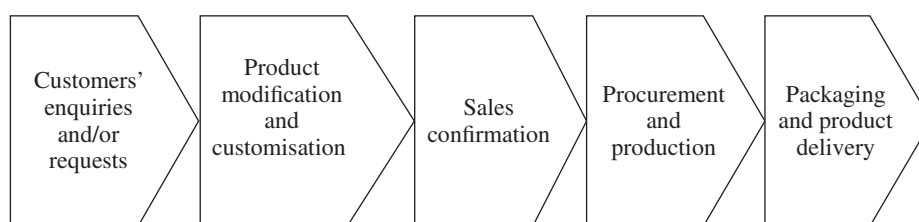


## BUSINESS

We intend to fund the improvement of our information technology systems with the net proceeds from the Share Offer. For details, see “Statement of Business Objectives and Use of Proceeds” in this prospectus.

### BUSINESS MODEL

We principally manufactured elastic textile and webbing in Malaysia and Vietnam, then sold our products domestically in Malaysia and Vietnam, or exported to over 30 countries including the United States, the United Kingdom, India, Indonesia, Australia, Sri Lanka and Pakistan during the Track Record Period. Most of our products feature elasticity or high tensile strength that are essential to the functionality of a wide range of products in the downstream industries, including gloves, bandages, intimate apparels, furniture and seat belts for automobiles. Majority of our customers are manufacturers of the above end products, including certain branded goods manufacturers or their contractors. The following diagram summarises the operation flow of our Group:



#### Customers' enquiries and/or requests

Before placing purchase orders, our customers usually enquire about our production capability and our price quote. Our sales and marketing department communicates with our potential customers to obtain details about their orders such as product specification, volume, packaging and delivery arrangements. Our sales and marketing department in Malaysia handles sales to all countries except for Vietnam, which is handled by our sales and marketing department in Vietnam. Our sales and marketing department, production department and if required, our product modification department, are responsible for evaluating our capability in accepting the customers' orders. The evaluation takes into account a number of factors such as cost and benefit analysis, raw materials availability, production capacity and delivery schedule as well as our capability in delivering the required product specifications. We may provide samples to or arrange our potential customers to visit our production facilities upon their request. The evaluation results are set out in a written report which has to be approved by the managers of the departments that participated the process.

The evaluation generally takes one day to five days.

#### Product modification and customisation

Not all of our products go through the product modification and customisation process. We need to modify our existing products only when customers order products of different specifications due to different designs or applications of their end products. Modification could be simple, such as alteration of colour and size; or fundamental, such as fabric construction or change of raw materials. Our product modification department may need to adjust the parameters of our production process, including but not limited to, choice and composition of raw materials and technical parameters such as number of yarn to be used in the weaving or knitting process to produce a customised product that fulfils our potential customer's specifications. Testings are performed on the product samples and if required, trial production is undertaken to identify problems that may happen in mass production. Upon completion of the foregoing modification and evaluation process, the product modification department will submit a



proposal to the production managers of our respective production facilities for approval. If complicated product modification such as change of raw materials is involved, final approval from our technical director is required. After approval is granted, samples would be distributed to potential customers.

The duration of our product modification process varies depending on its complexity which may take up to six weeks. For further details, see “Product Modification” in this section.

### **Sales confirmation**

A framework agreement which usually does not exceed one year may be entered into between our customers and our Group, pursuant to which general terms of sales arrangement such as payment and credit terms and delivery arrangement, are set out. Detailed payment and delivery terms, quantity and price are otherwise generally determined at the time of placement of individual sales orders.

Order confirmation will be sent to the potential customer if the foregoing evaluation results suggest acceptance of that order. In cases when samples are provided to our potential customers, sales orders would only be placed with us after our potential customers have inspected and are satisfied with the samples. Our potential customer is generally required to counter-sign the order confirmation, while new customers are, in particular, required to pay us a deposit to assure acceptance of our order confirmation followed by full payment prior to delivery.

### **Procurement and production**

We source our raw materials through our purchasing department which maintains a list of qualified suppliers approved by our senior management. Our production facilities in Malaysia and Vietnam require certain principal raw materials including (i) yarns of different types such as polyester high tenacity filament yarn, polypropylene multifilament yarn, nylon yarn and spandex yarn; (ii) natural and synthetic rubber and natural rubber threads; (iii) steel plate; (iv) colour dyes; (v) other chemicals; and (vi) packaging materials. To enhance our operating efficiency and obtain more favourable purchase terms, save for raw materials that are locally sourced or used by our production facilities in Vietnam, we centralise our procurement functions in Malaysia. Our purchase and procurement department in Malaysia is responsible for our Group’s overall procurement planning, evaluation and approval of potential suppliers as our qualified suppliers and negotiation of purchase terms with suppliers. We purchase principal raw materials only from our qualified suppliers, the admission of which is subject to the approval of our management in Malaysia. Once the principal terms of purchases have been agreed between our purchase and procurement department in Malaysia and the suppliers, our Malaysian and Vietnamese subsidiaries place respective purchase orders with the suppliers based on their respective needs.

Having considered the purchase orders confirmed and projected by our customers, we normally keep stock for principal raw materials at a level sufficient for one to three months’ production depending on, among other things, the geographical proximity of the suppliers with our Group and whether the suppliers require any minimum order requirement. To reduce risk of business interruption, we have also identified at least two suppliers for each principal raw material. The suppliers are responsible for arranging delivery to our designated production facilities which generally take two weeks to five weeks from the date of order placement. Sample checks and testing are conducted by our quality control department prior to acceptance. For further details, see “Quality Control” in this section.

Depending on the complexity of the production process, our production lead time lasts from two weeks to five weeks.

For further details of the production process of our principal products, see “Production — Production process of our principal products” in this section.

### **Packaging and product delivery**

We arrange packaging and delivering of finished products to our customers according to the agreed terms. We generally rely on third party logistics service providers to deliver our goods to the customers’ required location. Sharing of transportation costs between our Group and our customers depends on the types of shipment terms and may be agreed on a case-by-case basis. When we are responsible for the payment of part or all of the transportation costs, such costs would be taken into account in determining the price of our products. For details, see “Sales and Marketing — Our pricing strategy” in this section.

### **OUR PRODUCTS**

During the Track Record Period, our products were mainly categorised into three segments, namely: (i) elastic textile; (ii) webbing; and (iii) other products comprising rubber tape and metal component for furniture.

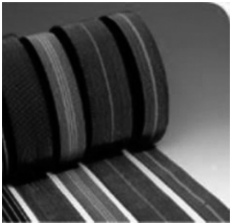
Our products are generally used by our manufacturing customers to produce their end products which have wide applications in different industries. The end products of our customers include, among other things, apparels that have close contact with human skin such as gloves and underwear; seat belts which are vehicle safety device; and food packaging materials such as elastic bands for food packaging. Our furniture webbing is used in sofas and chairs. These products generally have one or more of the following principal requirements:

- Elasticity or high tensile strength
- Resistant to abrasion, temperature, moisture or sunlight
- Comfortableness
- Aesthetic qualities
- Non-toxic
- Consistent appearance and quality in mass volume

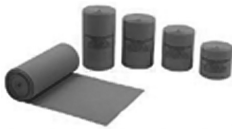
Our Directors believe that the high and consistent quality of our products is one of our core competitive strengths. See “Competitive Strengths” in this section for details. Set out below are the details of our major products.

## BUSINESS

The following table sets forth a summary of our principal products and their respective applications during the Track Record Period:

| Our principal product  |                                                                                     | Key features                                                                                                                                                                                                                                                                                                                          | Applications                                                          | Our customers' industries                                                     | Three largest sales destination of our products during the Track Record Period |
|------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|-------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| <b>Elastic textile</b> |                                                                                     |                                                                                                                                                                                                                                                                                                                                       |                                                                       |                                                                               |                                                                                |
| Covered elastic yarn   |    | Covered elastic yarn is a conventional covering of natural rubber threads or spandex with polyester, nylon, cotton and other yarn. It has high elasticity.                                                                                                                                                                            | Glove and sock<br>Glove<br>Bandage<br>Elastic band for food packaging | Apparel<br>Industrial and household applications<br>Medical<br>Food packaging | Malaysia<br>Vietnam<br>United Kingdom                                          |
| Narrow elastic fabric  |   | Narrow elastic fabric is a type of textile that is no more than 12 inches in width which are produced either through the needle loom weaving process or the crochet knitting process. Narrow elastic fabric containing materials such as nylon, polyester, spandex or natural rubber threads has high elasticity and comfortableness. | Underwear                                                             | Intimate apparel                                                              | Vietnam<br>Bangladesh<br>Indonesia                                             |
| <b>Webbing</b>         |                                                                                     |                                                                                                                                                                                                                                                                                                                                       |                                                                       |                                                                               |                                                                                |
| Furniture webbing      |  | Furniture webbing is an elastic webbing made from natural rubber threads and polypropylene and is mainly used as the supportive foundation in furnitures such as armchairs and sofas.                                                                                                                                                 | Sofa and chair                                                        | Furniture                                                                     | Vietnam<br>United States<br>Sri Lanka                                          |
| Seat belt webbing      |  | Seat belt webbing is a type of webbing with high tensile strength weaved by polyester high tenacity filament yarn. It has high tenacity and better resistance to abrasion, temperature, mild acids, alkalis, mildew, ageing, moisture and sunlight than untreated polyester fibre.                                                    | Seat belt for automobile                                              | Automotive                                                                    | India<br>Indonesia<br>Pakistan                                                 |

## BUSINESS

| Our principal product                                                   |                                                                                   | Key features                                                                                                          | Applications                                                                                                                                             | Our customers' industries                             | Three largest sales destination of our products during the Track Record Period |
|-------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------------------------------|
| <b>Other products</b>                                                   |                                                                                   |                                                                                                                       |                                                                                                                                                          |                                                       |                                                                                |
| Rubber tape                                                             |  | Rubber tape made of natural or synthetic rubber which has high elasticity, frictional resistance and good durability. | Medical disposable such as esmark bandage and tourniquet<br><br>Rubber sheet for end closure of disposable vacuum dust bag<br><br>Swimwear and underwear | Health care<br><br>Household appliance<br><br>Apparel | United States<br>Poland<br>Bangladesh                                          |
| Metal component for furniture, such as recliner mechanism and bed frame |  | Recliner mechanism and bed frame are the metal-made frames of furniture.                                              | Sofa, chair and bed                                                                                                                                      | Furniture                                             | Romania<br>Australia<br>Malaysia                                               |

As our products may have different specifications according to our customers' requests, there exists certain price gap within the same type of product. We set out in the table below the price ranges for 1Q2017 and life span of our principal products:

| Our principal products        | Unit       | Approximate price range | Average selling price | Approximate product life span |
|-------------------------------|------------|-------------------------|-----------------------|-------------------------------|
| <b>Elastic textile</b>        |            |                         |                       |                               |
| Covered elastic yarn          | RM per kg  | 17.1 to 107.8           | 37.0                  | 1.5 to 2 years                |
| Narrow elastic fabric         | RM per m   | 0.2 to 1.3              | 0.4                   | 2 years                       |
| <b>Webbing</b>                | RM per m   | 0.3 to 2.4              | 0.8                   | 3 to 10 years                 |
| <b>Other products</b>         |            |                         |                       |                               |
| Rubber tape                   | RM per kg  | 10.2 to 28.5            | 17.7                  | 2 years                       |
| Metal component for furniture | RM per set | 18.4 to 267.7           | 72.4                  | 5 years                       |

We have a large variety of products which are distinctive in, among other things, raw materials, colours and tensile strength and such products may also be required to go through modification of various technical sophistication. Accordingly, our product portfolio has wide price range.

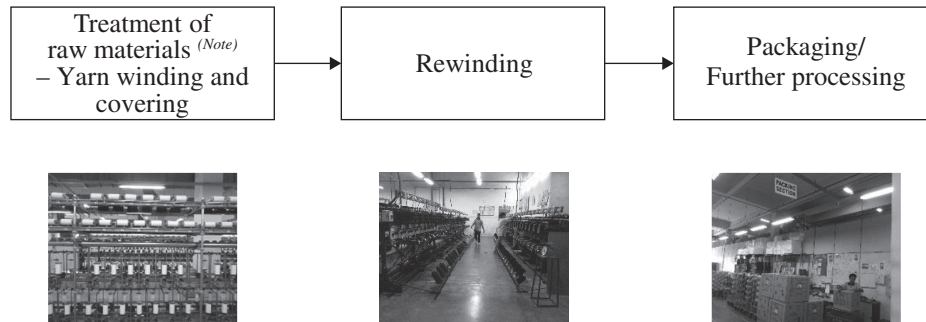
## PRODUCTION

During the Track Record Period, we manufactured all of our products at our production facilities in Malaysia and Vietnam.

### Production process of our principal products

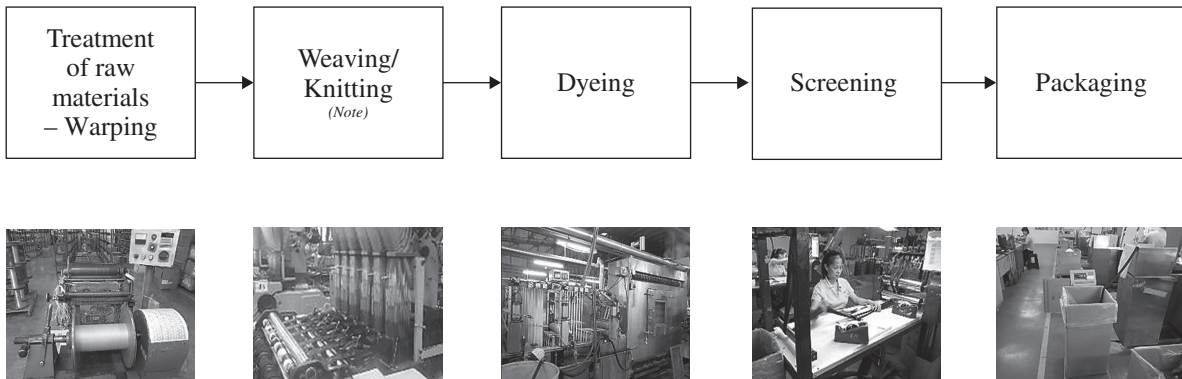
The production lead time for transforming raw materials to the end products is generally two weeks to five weeks. A summary of the typical production processes of (i) covered elastic yarn; (ii) narrow elastic fabric; (iii) furniture webbing; (iv) seat belt webbing; (v) rubber tape; and (vi) metal component for furniture is as follows:

#### *Covered elastic yarn*



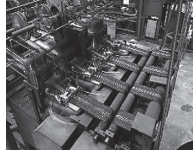
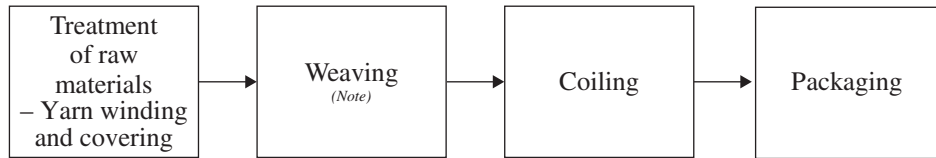
*Note:* Covering machine is the key machine used in this production process that largely constraints the output volume of covered elastic yarn.

#### *Narrow elastic fabric*



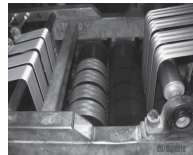
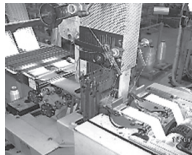
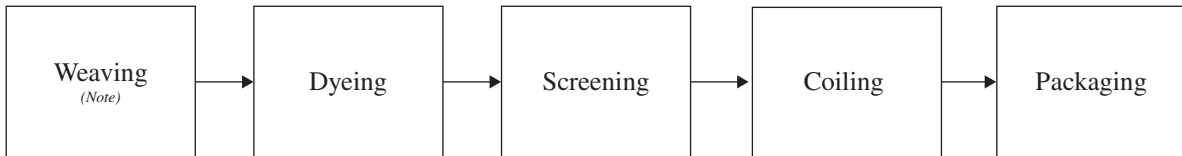
*Note:* Needle machine is the key machine used in this production process that largely constraints the output volume of narrow elastic fabric.

## *Furniture Webbing*



*Note:* Furniture webbing weaving machine is the key machine used in this production process that largely constraints the output volume of furniture webbing.

## *Seat belt webbing*



*Note:* Seat belt webbing weaving machine is the key machine used in this production process that largely constraints the output volume of seat belt webbing.

## Treatment of raw materials

### *Yarn winding and covering*

Natural rubber thread is covered by cheese yarn that has been winded on spools or bobbins to become covered rubber threads.

### *Warping*

Raw yarn is winded in a certain way to become warp yarn for wearing or knitting. Some of the yarns purchased for producing narrow elastic fabric are sent for dyeing to different colours based on our customers' requirements before delivery to our factory for warping.

## Rewinding

The covered elastic yarn is rewound into cones.

### Weaving/Knitting

For narrow elastic fabrics, furniture webbings and seat belt webbings that are produced through weaving, the processed covered rubber and/or wrap yarn are combined with other yarn materials such as lock yarn or weft yarn to produce fabric or webbings. Alternatively, the warp yarn may together with other yarn materials go through the knitting process to produce a different type of narrow elastic fabric.

### Dyeing

The processed fabrics and seat belt webbings may be dyed to different colours based on our customers' requirements, using chemicals and dyes, which are added to dye baths heated at high temperatures to consolidate the interaction between the dye and the fabrics or seat belt webbings. The dyed product will then be cleaned with water and dried.

### Screening

After the dyeing process, the dyed fabrics and webbings will be inspected and screened by our quality control staff to ensure they meet the customers' specifications and our internal quality control guidelines. Any defects are separately recorded, marked and removed from the produced batch.

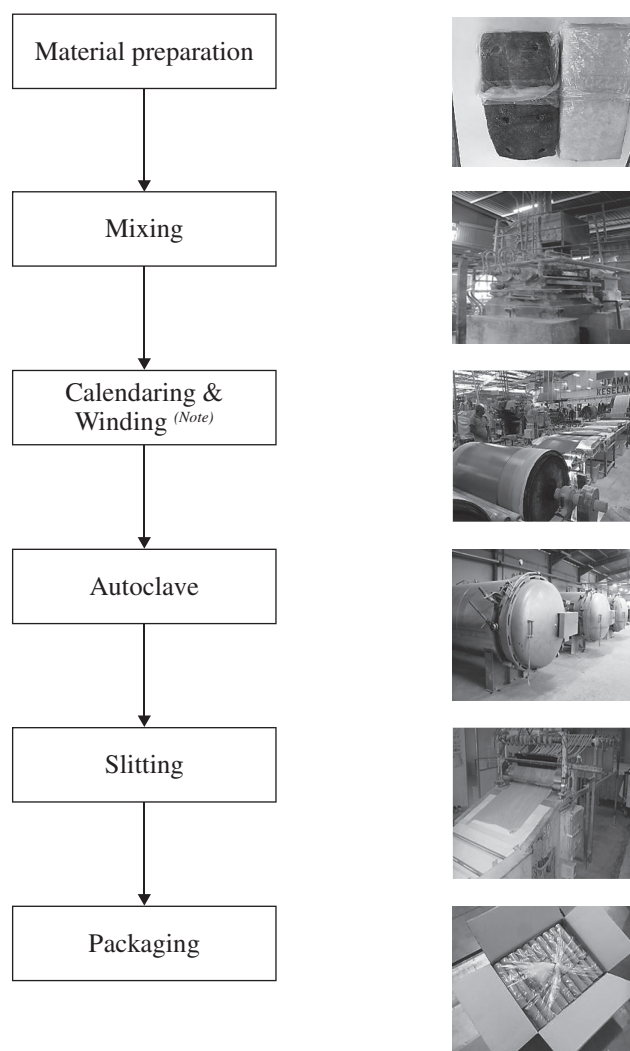
### Coiling/Rewinding

The covered elastic yarn, furniture webbings and seat belt webbings produced are coiled or rewound on cones before being packaged. During this stage, any further defects identified will again be marked and removed from batch.

### Packaging/Further Processing

The finished goods are packaged in carton boxes for delivery to our customers. For covered elastic yarn, it may be further processed for producing elastic band for food packaging.

## *Rubber tape*



*Note:* Calendaring machine is the key machine used in this production process that largely constraints the output volume of rubber tape.

### Material preparation

Raw materials are weighted in accordance with the specifications provided by our customers.

### Mixing

Chemicals, natural or synthetic rubber and filler are mixed and sulphur is added to the mixture to form the masterbatch.

### Calendaring & Winding

The masterbatch is calendared to become rubber sheets in the required thickness and width. The rubber sheets can also be tailored to different colours. The rubber sheets are then wound up onto drums for curing.



## BUSINESS

### Autoclave

Autoclave is used in the curing process for the rubber sheets where high pressure and temperatures are used to facilitate the chemical interactions to make the rubber sheets more durable. After the curing process, the cured rubber sheets produced will be washed and dried.

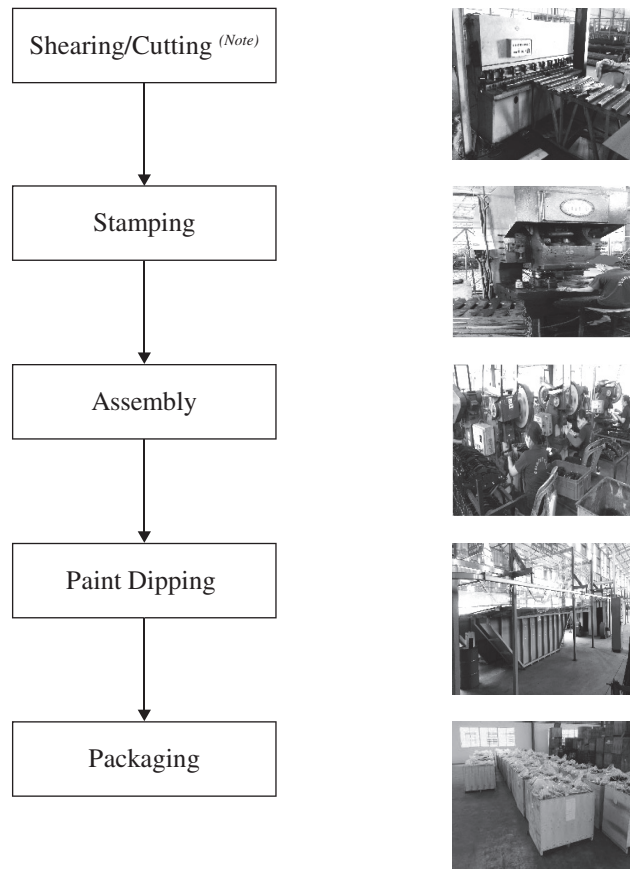
### Slitting

The cured rubber sheets will be cut into the required width in accordance with the specifications provided by our customers.

### Packaging

The finished goods are packaged in carton boxes for delivery to our customers.

### *Metal component for furniture*



*Note:* Shearing and stamping machine is the key machine used in this production process that largely constraints the output volume of metal component for furniture.

## BUSINESS

### Shearing/Cutting

Steel plates, hollow square and steel pipes are sheared and cut into the required size and length.

### Stamping

The metal stamping machine is used together with the customised die to stamp out the parts in required design or shape.

### Assembly

All the parts are assembled to form the metal components for furniture.

### Paint Dipping

All the parts are dipped on with a thin layer of paint.

### Packaging

The finished goods are packaged in wooden boxes for delivery to our customers.

See “Quality Control” in this section for details of our in-process quality control measures.

### Production facilities

As at the Latest Practicable Date, we had a total of five production facilities in Malaysia and Vietnam (excluding the production facility held by FCV (VN), our subsidiary prior to 14 September 2017). The following table sets out the major products produced by our operating subsidiaries during the Track Record Period:

|                               | <b>Malaysia</b> | <b>Vietnam</b>             |
|-------------------------------|-----------------|----------------------------|
| <b>Elastic textile</b>        |                 |                            |
| Covered elastic yarn          | FMSB (MY)       | FVSC (VN)                  |
| Narrow elastic fabric         | —               | PEWAV (VN)                 |
| <b>Webbing</b>                |                 |                            |
| Furniture webbing             | FMSB (MY)       | FVSC (VN)                  |
| Seat belt webbing             | FSWSB (MY)      | —                          |
| <b>Other products</b>         |                 |                            |
| Rubber tape                   | TMSB (MY)       | —                          |
| Metal component for furniture | —               | FCV (VN) <sup>(Note)</sup> |

*Note:* FCV (VN) ceased to be our subsidiary and became our associate on 14 September 2017. See “History, Reorganisation and Corporate Structure — Significant Shareholding changes in Members of our Group during the Track Record Period and up to the Latest Practicable Date — FCV (VN)” in this prospectus for further details.

For details of the properties owned and leased by us, see “Properties” in this section.

## BUSINESS

Our first production facility was established in Malaysia. In 1997, to take advantage of the potential and business prospects of the Vietnamese market, in particular the availability of labour at competitive costs and favourable taxation environment for foreign investments, we had expanded our operation for furniture webbing and covered elastic yarn to Vietnam. Our operation and production facilities for seat belt webbing have remained in Malaysia since these products are typically subject to stringent safety and quality standards common in the industry and as prescribed by laws and regulations such as Automotive ISO/TS 16949 and our management believes the experienced management and well-trained employees in Malaysia would facilitate the production of quality seat belt webbing that meets the stringent standards of the industry and our customers. In addition, our Directors consider the automotive industry in Vietnam was comparatively less developed.

In 2002, in line with our business strategy of leveraging the Vietnamese market and expanding our product portfolio, we have set up the production facilities in Vietnam for production of narrow elastic fabric.

Our Directors believe such operation strategy had been instrumental in furthering our development and establishing our market position. For FY2016, we ranked first in terms of market share for covered elastic yarn in both the Malaysian and Vietnamese markets, narrow elastic fabric in Vietnamese market, furniture webbing in both the Malaysian and Vietnamese markets and seat belt webbing in the Malaysian market.

The following table set forth the revenue generated by our operations in Malaysia and Vietnam during the Track Record Period:

|          | Year ended 31 December |              |               |              | Three months ended 31 March |              |               |              |
|----------|------------------------|--------------|---------------|--------------|-----------------------------|--------------|---------------|--------------|
|          | 2015                   |              | 2016          |              | 2016                        |              | 2017          |              |
|          | RM'000                 | %            | RM'000        | %            | RM'000                      | %            | RM'000        | %            |
|          |                        |              |               |              | <i>(Unaudited)</i>          |              |               |              |
| Malaysia | 34,118                 | 38.3         | 34,942        | 35.7         | 8,608                       | 38.6         | 10,329        | 37.0         |
| Vietnam  | 54,916                 | 61.7         | 62,995        | 64.3         | 13,675                      | 61.4         | 17,606        | 63.0         |
|          | <u>89,034</u>          | <u>100.0</u> | <u>97,937</u> | <u>100.0</u> | <u>22,283</u>               | <u>100.0</u> | <u>27,935</u> | <u>100.0</u> |

## BUSINESS

### Major equipment and machinery

Our production facilities are equipped with production machinery and testing equipment mostly imported from other regions such as Taiwan, the PRC, Switzerland and Germany. As at 31 March 2017, we owned over 450 pieces of machinery and equipment and different machines were used in the production of different products. Set out below are the major machinery and equipment in our Malaysian and Vietnamese production facilities as at 31 March 2017:

| Type of major machine or equipment         | Number of<br>major machine<br>or equipment | Approximate<br>estimated average<br>age of major<br>machine or<br>equipment as at<br>31 March 2017<br>(years) | Approximate<br>estimated<br>remaining useful<br>lives as at<br>31 March 2017 <i>(Note)</i><br>(years) |
|--------------------------------------------|--------------------------------------------|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Covering machine for cover elastic yarn    | 40                                         | 18.0                                                                                                          | 12.0                                                                                                  |
| Covering machine for narrow elastic fabric | 11                                         | 5.0                                                                                                           | 20.0                                                                                                  |
| Needle machine                             | 135                                        | 6.0                                                                                                           | 19.2                                                                                                  |
| Dyeing machine                             | 19                                         | 9.1                                                                                                           | 15.9                                                                                                  |
| Weaving machine for furniture webbing      | 76                                         | 11.0                                                                                                          | 14.1                                                                                                  |
| Weaving machine for seat belt webbing      | 20                                         | 12.0                                                                                                          | 13.0                                                                                                  |
| Shearing and stamping machine              | 37                                         | 10.3                                                                                                          | 14.7                                                                                                  |
| Autoclave                                  | 5                                          | 14.0                                                                                                          | 16.0                                                                                                  |
| Calendaring machine                        | 3                                          | 14.0                                                                                                          | 16.0                                                                                                  |
| Other supporting machine                   | 104                                        | 13.6                                                                                                          | 13.2                                                                                                  |
|                                            | <u>450</u>                                 | <u>10.5</u>                                                                                                   | <u>15.4</u>                                                                                           |

*Note:* The actual useful lives of these machines or equipment may be different from the estimates due to reasons such as periodic maintenance.

Our Directors confirmed that from 1 April 2017 to the Latest Practicable Date, there were no material changes to our major machinery and equipment in our Malaysian and Vietnamese production facilities.

For details of the depreciation method adopted for our major machinery and equipment and their useful life, see “Financial Information — Principal Financial Position Items — Property, plant and equipment” in this prospectus.

# BUSINESS

## Production capacity and utilisation

The following table sets forth our designed production capacity, actual output and utilisation rate of our production facilities during the Track Record Period:

|                                            |      | Year ended 31 December                         |                              |                                 |                                                |                              |                                 | Three months ended 31 March                    |                              |                                 |
|--------------------------------------------|------|------------------------------------------------|------------------------------|---------------------------------|------------------------------------------------|------------------------------|---------------------------------|------------------------------------------------|------------------------------|---------------------------------|
|                                            |      | 2015                                           |                              |                                 | 2016                                           |                              |                                 | 2017                                           |                              |                                 |
|                                            |      | Designed<br>production<br>capacity<br>(Note 1) | Actual<br>output<br>(Note 3) | Utilisation<br>rate<br>(Note 4) | Designed<br>production<br>capacity<br>(Note 1) | Actual<br>output<br>(Note 3) | Utilisation<br>rate<br>(Note 4) | Designed<br>production<br>capacity<br>(Note 2) | Actual<br>output<br>(Note 3) | Utilisation<br>rate<br>(Note 4) |
|                                            | Unit |                                                |                              | %                               |                                                |                              | %                               |                                                |                              | %                               |
| <b>Malaysia</b>                            |      |                                                |                              |                                 |                                                |                              |                                 |                                                |                              |                                 |
| <b>Elastic textile</b>                     |      |                                                |                              |                                 |                                                |                              |                                 |                                                |                              |                                 |
| Covered elastic yarn<br>(Note 5)           | kg   | 326,000                                        | 263,000                      | 80.7                            | 326,000                                        | 296,000                      | 90.8                            | 81,500                                         | 71,100                       | 87.2                            |
| <b>Webbing</b>                             |      |                                                |                              |                                 |                                                |                              |                                 |                                                |                              |                                 |
| Furniture<br>webbing (Note 6)              | m    | 5,472,000                                      | 5,926,000                    | 108.3                           | 5,472,000                                      | 4,600,000                    | 84.1                            | 1,368,000                                      | 1,181,000                    | 86.3                            |
| Seat belt<br>webbing (Note 6)              | m    | 15,360,000                                     | 10,910,000                   | 71.0                            | 15,360,000                                     | 14,195,000                   | 92.4                            | 3,840,000                                      | 4,448,000                    | 115.8                           |
| <b>Other products</b>                      |      |                                                |                              |                                 |                                                |                              |                                 |                                                |                              |                                 |
| Rubber tape                                | kg   | 769,000                                        | 528,000                      | 68.7                            | 769,000                                        | 464,000                      | 60.3                            | 192,250                                        | 143,000                      | 74.4                            |
| <b>Vietnam</b>                             |      |                                                |                              |                                 |                                                |                              |                                 |                                                |                              |                                 |
| <b>Elastic textile</b>                     |      |                                                |                              |                                 |                                                |                              |                                 |                                                |                              |                                 |
| Covered elastic<br>yarn (Note 6)           | kg   | 564,000                                        | 570,000                      | 101.0                           | 564,000                                        | 486,000                      | 86.2                            | 141,000                                        | 141,100                      | 100.0                           |
| Narrow elastic fabric                      | m    | 74,895,000                                     | 73,373,000                   | 98.0                            | 85,494,000                                     | 75,438,000                   | 88.2                            | 23,052,000                                     | 17,508,000                   | 76.0                            |
| <b>Webbing</b>                             |      |                                                |                              |                                 |                                                |                              |                                 |                                                |                              |                                 |
| Furniture webbing                          | m    | 36,288,000                                     | 24,825,000                   | 68.4                            | 36,288,000                                     | 25,689,000                   | 70.8                            | 9,072,000                                      | 7,150,000                    | 78.8                            |
| <b>Other products</b>                      |      |                                                |                              |                                 |                                                |                              |                                 |                                                |                              |                                 |
| Metal component for<br>furniture           | set  | 120,000                                        | 53,000                       | 44.2                            | 120,000                                        | 80,000                       | 66.7                            | 30,000                                         | 20,200                       | 67.3                            |
| <b>Overall</b>                             |      |                                                |                              |                                 |                                                |                              |                                 |                                                |                              |                                 |
| <b>Elastic textile</b>                     |      |                                                |                              |                                 |                                                |                              |                                 |                                                |                              |                                 |
| Covered elastic yarn                       | kg   | 890,000                                        | 833,000                      | 93.6                            | 890,000                                        | 782,000                      | 87.9                            | 222,500                                        | 212,200                      | 95.4                            |
| Narrow elastic<br>fabric (Note 7)          | m    | 74,895,000                                     | 73,373,000                   | 98.0                            | 85,494,000                                     | 75,438,000                   | 88.2                            | 23,052,000                                     | 17,508,000                   | 76.0                            |
| <b>Webbing</b>                             |      |                                                |                              |                                 |                                                |                              |                                 |                                                |                              |                                 |
| Furniture webbing                          | m    | 41,760,000                                     | 30,751,000                   | 73.6                            | 41,760,000                                     | 30,289,000                   | 72.5                            | 10,440,000                                     | 8,331,000                    | 79.8                            |
| Seat belt<br>webbing (Note 8)              | m    | 15,360,000                                     | 10,910,000                   | 71.0                            | 15,360,000                                     | 14,195,000                   | 92.4                            | 3,840,000                                      | 4,448,000                    | 115.8                           |
| <b>Other products</b>                      |      |                                                |                              |                                 |                                                |                              |                                 |                                                |                              |                                 |
| Rubber tape (Note 9)                       | kg   | 769,000                                        | 528,000                      | 68.7                            | 769,000                                        | 464,000                      | 60.3                            | 192,250                                        | 143,000                      | 74.4                            |
| Metal component for<br>furniture (Note 10) | set  | 120,000                                        | 53,000                       | 44.2                            | 120,000                                        | 80,000                       | 66.7                            | 30,000                                         | 20,200                       | 67.3                            |

## BUSINESS

### Notes:

1. The designed production capacity for covered elastic yarn is based on the maximum annual output of 890,000 kg of covering machine.

The designed production capacity for narrow elastic fabric is based on the maximum annual output of 85,494,000 m of needle machine (FY2015: 74,895,000 m). The production facilities for covered elastic yarn and narrow elastic fabric are not interchangeable.

The designed production capacity for furniture webbing is based on the maximum annual output of 41,760,000 m of furniture webbing weaving machine.

The designed production capacity for seat belt webbing is based on the maximum annual output of 15,360,000 m of seat belt webbing weaving machine.

The designed production capacity for rubber tape is based on the maximum annual output of 769,000 kg of calendaring machine.

The designed production capacity is based on the maximum annual output of 120,000 sets of shearing and stamping machine.

Since the output volume of each product is largely constrained by the capacity of the key machine identified in the production process, the designed production capacity of each product is in effect the maximum output of the key machine. The maximum output of the key machine has taken into account factors affecting the normal operating limits such as the variability and availability of raw materials, energy and water as well as regular and periodic maintenance. The maximum annual output is calculated on the assumption that the facilities operated 16 hours per day (8 hours for some products such as metal components for furniture), 25 days per month and 12 months a year and calculated by the weighted average number of key machines during the year.

2. The volume is estimated at approximately one-fourth of the respective annual designed production capacity.
3. The actual output is the volume of products actually produced by our Group which may be different from our actual sales volume.
4. Utilisation rate of each product type is derived by dividing the actual output by the designed capacity.
5. The utilisation rate of the production facility for covered elastic yarn in Malaysia has decreased for 1Q2017 as less covered elastic yarn were required to be produced in 1Q2017 when surplus was produced in FY2016.
6. The utilisation rates of the production facilities for furniture webbing in Malaysia and covered elastic yarn in Vietnam for FY2015 and for seat belt webbing in Malaysia for 1Q2017 exceeded 100% because the operation time of our production facilities had occasionally exceeded the assumed production hours per day and/or the assumed production days per month.
7. The utilisation rate of the production facilities for narrow elastic fabric has decreased during the Track Record Period as the increase in our actual output in FY2016 has been offset by the increase in the designed production capacity and there was a further increase in the designed production capacity in 1Q2017.
8. The utilisation rate of the production facilities for seat belt webbing has increased during the Track Record Period due to the increase in our actual output in FY2016 and 1Q2017 mainly as a result of the increase in sales volume attributable to new customers.
9. The utilisation rate of the production facilities for rubber tape has decreased in FY2016 due to the decrease in our actual output in FY2016 mainly as a result of the drop in sales to a major customer in the United States.

The utilisation rate of the production facilities for rubber tape has increased for 1Q2017 mainly as a result of the increase in sales to the same major customer in the United States.

## BUSINESS

10. The utilisation rate of the production facilities for metal component for furniture has increased during the Track Record Period due to the increase in our actual output in FY2016 and 1Q2017 mainly as a result of our expanded product range in FY2016 and 1Q2017.

### Expansion plan

Our Directors anticipate that there will be increasing demand for our elastic textile and webbing products. Set out below are some of the projections made in the Frost & Sullivan Report:

- Global demand for covered elastic yarn, narrow elastic fabric and seat belt webbing is expected to increase at CAGRs of 8.4%, 6.3% and 5.1% from 2016 to 2021, respectively.
- The global demand for sportswear will continue to rise and fuel the demand for narrow elastic fabric.
- There will be increasing demand for seat belt webbing in South Korea arising from the expansion of its automotive industry.

With the current utilisation of our production facilities having reached a high level as set out in “Production — Production capacity and utilisation” in this section, we therefore plan to increase our production capacity to meet the anticipated increasing market demand for narrow elastic fabric, covered elastic yarn and seat belt webbing. To this end, we plan to expand our production capacity by establishing a new production facility and acquiring new machines for our existing and new production facilities, which will be financed by the proceeds from the Share Offer. Details of our expansion plan are set out below:

| Expansion plan                                                                                                                                                                                                                                                                   | Expected timeline                       | Estimated total investment | Expected annual production capacity after completion of expansion plan<br>(Note) |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------|----------------------------------------------------------------------------------|
| <b>Narrow elastic fabric</b>                                                                                                                                                                                                                                                     |                                         |                            |                                                                                  |
| Acquire and install 20 needle machines and three covering machines in our existing production facility in Vietnam                                                                                                                                                                | From 1 January 2018 to 31 December 2018 | HK\$2.6 million            | 116.5 million metre                                                              |
| Establish a new production facility (including ancillary office) with an estimated gross floor area of 120,000.0 sq.ft. on a vacant site area of approximately 50,600.0 sq.ft. within the land current leased and used by our Group in Vietnam for a term ending in January 2048 | From 1 January 2018 to 30 June 2019     | HK\$15.5 million           |                                                                                  |
| Acquire and install 20 needle machines in our new production facility in Vietnam                                                                                                                                                                                                 | From 1 January 2019 to 31 December 2019 | HK\$2.3 million            |                                                                                  |

## BUSINESS

| Expansion plan                                                                                                                         | Expected timeline                         | Estimated total investment | Expected annual production capacity after completion of expansion plan<br><i>(Note)</i> |
|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|----------------------------|-----------------------------------------------------------------------------------------|
| <b>Covered elastic yarn</b>                                                                                                            |                                           |                            |                                                                                         |
| Acquire and install six covering machines in our existing production facility in Vietnam                                               | From 1 January 2018 to 30 June 2019       | HK\$0.7 million            | 1.1 million kg                                                                          |
| <b>Seat belt webbing</b>                                                                                                               |                                           |                            |                                                                                         |
| Acquire and install eight weaving machines, one dyeing machine and one cutting machine in our existing production facility in Malaysia | From the Listing Date to 31 December 2019 | HK\$11.3 million           | 21.5 million metre                                                                      |

*Note:* Since the output volume of each product is largely constrained by the capacity of the key machine identified in the production process, the designed production capacity of each product is in effect the maximum output of the key machine. The maximum output of the key machine has taken into account factors affecting the normal operating limits such as the variability and availability of raw materials, energy and water as well as regular and periodic maintenance. The maximum annual output is calculated on the assumption that the facilities operated 16 hours per day, 25 days per month and 12 months a year and calculated by the weighted average number of key machineries during the year.

Our Directors expect to commence the construction of the new factory in Vietnam during the six months ending 30 June 2018.

As at the Latest Practicable Date, we had not entered into any sales contract in relation to the purchase of key machinery and had not incurred any expense for such purchase.

The breakeven period<sup>(Note 1)</sup> of our new production facility is expected to be five months and the payback period<sup>(Note 2)</sup> is expected to be approximately three and a half years.

*Notes:*

1. Breakeven period refers to the period of time required for the new production facility to generate sales equal to its directly attributable operating cost (including rental expenses, staff cost and utility expenses, but excluding taxes and depreciation).
2. Payback period refers to the period of time required for accumulated earnings, before interest, tax, depreciation and amortisation (EBITDA) of the new production facility to recover its initial set up costs. The initial set up costs comprise the purchase costs of the machines and a portion of the construction costs of the new factory estimated based on the floor area on which these machines will occupy.

We shall closely monitor, among other factors, projected market demand for our products and latest construction and machinery costs from time to time, and may adjust the schedule and scale of the foregoing expansion plans, if needed.



## BUSINESS

In addition to the future opportunities identified in the overseas market, our Directors consider that the expansion of production capacity is appropriate and necessary in view of the industry prospects, our operating results and commercial rationales which are set out as follows:

- According to the Frost & Sullivan Report, the demand for covered elastic yarn and narrow elastic fabric in Vietnam is expected to grow at CAGRs of 14.7% and 15.8% from 2016 to 2021, respectively, driven by the rapid development of downstream textile and intimate apparel industries.
- According to the Frost & Sullivan Report, demand for covered elastic yarn and seat belt webbing in Malaysia will increase by a CAGR of 12.4% and 5.0% from 2016 to 2021, respectively, driven by the continuous development of the downstream industries of gloves and automobile.
- We have solid experiences in establishing and managing scalable production operations as well as developing new specifications of our products to cater for different applications. Therefore, we do not anticipate any major obstacles in implementing our plans in expanding production capacity to facilitate our Group's ongoing business development.
- Our existing production capacity for covered elastic yarn, narrow elastic fabric and seat belt webbing has been heavily utilised. Therefore, it is necessary for us to expand the production capacity for these products should we want to capture the increasing business opportunities as aforementioned.

Our Directors also believe that there is a high likelihood that the factors considered above will continue to drive our business performance going forward. Therefore, the expansion plan is considered to be reasonable and has been thoroughly considered which would benefit us and our Shareholders as a whole.

### RAW MATERIALS, PROCUREMENT AND OUR SUPPLIERS

#### Raw materials and procurement

We use various raw materials throughout our production process. Our principal raw materials include (i) yarns of different types such as polyester high tenacity filament yarn, polypropylene multifilament yarn, nylon yarn and spandex yarn; (ii) natural and synthetic rubber and natural rubber threads; (iii) steel plate; (iv) colour dyes; (v) other chemicals; and (vi) packaging materials. We generally procure raw materials based on confirmed and projected purchase orders from our customers. Our material planning function is also supported with our information technology system which provides up-to-date stock level and historical monthly usage, to facilitate the procurement process. In order to enjoy flexibility in negotiating trading terms based on market trends and latest raw material prices, we generally purchase raw materials on an order-by-order basis and do not enter into long-term agreements. The cost of raw materials account for a substantial part of our production cost. For FY2015, FY2016 and 1Q2017, the cost of raw materials accounted for 55.5%, 53.5% and 53.1% of our total cost of sales, respectively.

During the Track Record Period, the costs of polyester high tenacity filament yarn, polypropylene multifilament yarn, nylon yarn and spandex yarn experienced an overall downward trend, while the costs of natural and synthetic rubber which was in a decreasing trend during most of the Track Record Period, experienced rebound in the fourth quarter of 2016. For analysis on raw material price from 2011 to 2016 and our costs of raw materials during the Track Record Period, see "Industry Overview — Raw Material

## BUSINESS

Price Analysis”, “Financial Information — Significant Factors Affecting our Results of Operations and Financial Position of Our Group — Raw material price” and “Financial Information — Principal Income Statement Components — Cost of sales” in this prospectus, respectively.

We procure our principal raw materials from suppliers mainly based in Malaysia, Vietnam, Thailand and the PRC. Our purchases were denominated in US dollar, Vietnamese Dong, RM or RMB. During the Track Record Period, we did not undertake any hedging activities or any other strategy to minimise the exposure to the possible price fluctuation of the raw materials as we have adopted certain cost control measures, such as (i) obtaining competitive quotations from different suppliers; and (ii) the entering into of purchase contracts for certain raw materials (mainly yarn) that are commonly used in seat belt webbing for a term not exceeding six months with volume and price being fixed for the purpose of enjoying better bulk purchase terms. See “Raw Materials, Procurement and our Suppliers — Suppliers” in this section for details.

In accordance with common commercial practice in Vietnam, we may enter into framework agreements with term usually within one year with our suppliers setting out only the general terms such as product name, delivery and payment arrangement; whereas specific purchase terms such as product specification, quantity, price, payment terms and delivery schedules are generally determined at the time when the respective purchase orders are placed. Save for the above, we generally do not enter into contracts with price or quantity commitment or long-term purchase contracts with our suppliers. Our suppliers are typically responsible for the delivery of raw materials to our production facilities, while the customs clearances for the imported raw materials are handled by our shipping department. During the Track Record Period, we did not experience any shortage or delay in the supply of raw materials that materially affected our operations.

Save for raw materials that are locally sourced or used by our production facilities in Vietnam, the overall procurement planning, evaluation of potential suppliers as our qualified suppliers and negotiation of terms of purchases with suppliers are centralised in Malaysia. We purchase principal raw materials only from our qualified suppliers, the admission of which is subject to the approval of our management in Malaysia in accordance with our purchasing procedure and quality manual. Once the principal terms of purchases have been agreed between our purchase and procurement department in Malaysia and suppliers, our Malaysian and Vietnamese subsidiaries place respective purchase orders with the suppliers based on their respective needs. For further details, see “Quality Control” in this section.

### **Suppliers**

Our major suppliers were producers of raw materials including rubber, yarn and polyester as well as chemicals used in the production process. For FY2015, FY2016 and 1Q2017, purchases from our five largest suppliers were RM13.6 million, RM13.3 million and RM4.7 million, representing 36.6%, 34.6% and 38.9% of our total purchases, respectively. Purchases from our largest supplier during the Track Record Period were RM4.7 million, RM4.3 million and RM1.3 million, representing 12.7%, 11.3% and 10.3% of our total purchases, respectively.

## BUSINESS

The tables below provide you with information on our five largest suppliers during the Track Record Period.

### For the year ended 31 December 2015

| Supplier                                               | Country                 | Supplier's principal business         | Principal products purchased by us from the supplier | Year commencing business relationship with us | Typical credit terms to us and our payment method                                                        | Our purchases from the supplier in the year<br><i>% of our total purchases</i><br><i>RM'000</i> |             |
|--------------------------------------------------------|-------------------------|---------------------------------------|------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|-------------|
| Supplier A                                             | Thailand                | Manufacturer of natural rubber thread | Natural rubber thread                                | 1997                                          | Direct debit from bank account by document against acceptance within 90 days from date of bill of lading | 4,724                                                                                           | 12.7        |
| Supplier B                                             | Malaysia                | Manufacturer of natural rubber thread | Natural rubber thread                                | 1997                                          | Telegraphic transfer within 90 days from date of bill of lading                                          | 2,477                                                                                           | 6.7         |
| Supplier C                                             | Vietnam                 | Manufacturer of yarn                  | Yarn                                                 | 2002                                          | Telegraphic transfer in advance                                                                          | 2,161                                                                                           | 5.8         |
| Supplier D                                             | Vietnam and South Korea | Manufacturer of spandex               | Spandex yarn                                         | 2007                                          | Telegraphic transfer in advance                                                                          | 2,143                                                                                           | 5.8         |
| Supplier E                                             | Vietnam                 | Manufacturer of yarn                  | Polypropylene multifilament yarn                     | 2012                                          | Telegraphic transfer within 30 days from date of delivery and invoice                                    | 2,135                                                                                           | 5.6         |
| <b>Total purchases from our five largest suppliers</b> |                         |                                       |                                                      |                                               |                                                                                                          | <b>13,640</b>                                                                                   | <b>36.6</b> |

# BUSINESS

## For the year ended 31 December 2016

| Supplier                                               | Country  | Supplier's principal business         | Principal products purchased by us from the supplier | Year commencing business relationship with us | Typical credit terms to us and our payment method                                                        | Our purchases from the supplier in the year<br><i>% of our total purchases</i><br><i>RM'000</i> |             |
|--------------------------------------------------------|----------|---------------------------------------|------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|-------------|
| Supplier A                                             | Thailand | Manufacturer of natural rubber thread | Natural rubber thread                                | 1997                                          | Direct debit from bank account by document against acceptance within 90 days from date of bill of lading | 4,336                                                                                           | 11.3        |
| Supplier F                                             | the PRC  | Manufacturer of yarn                  | Polyester high tenacity filament yarn                | 2012                                          | Direct debit from bank account upon letter of credit at sight                                            | 2,779                                                                                           | 7.2         |
| Supplier C                                             | Vietnam  | Manufacturer of yarn                  | Yarn                                                 | 2002                                          | Telegraphic transfer in advance                                                                          | 2,405                                                                                           | 6.3         |
| Supplier G                                             | the PRC  | Manufacturer of yarn                  | Polyester high tenacity filament yarn                | 2015                                          | Direct debit from bank account with letter of credit at 60 days                                          | 1,949                                                                                           | 5.1         |
| Supplier E                                             | Vietnam  | Manufacturer of yarn                  | Polypropylene multifilament yarn                     | 2012                                          | Telegraphic transfer within 30 days from date of delivery and invoice                                    | 1,828                                                                                           | 4.7         |
| <b>Total purchases from our five largest suppliers</b> |          |                                       |                                                      |                                               |                                                                                                          | <b>13,297</b>                                                                                   | <b>34.6</b> |

## BUSINESS

### For the three months ended 31 March 2017

| Supplier                                               | Country  | Supplier's principal business           | Principal products purchased by us from the supplier | Year commencing business relationship with us | Typical credit terms to us and our payment method                                            | Our purchases from the supplier in the period<br><i>% of our total purchases</i><br><i>RM'000</i> |             |
|--------------------------------------------------------|----------|-----------------------------------------|------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|-------------|
| Supplier F                                             | the PRC  | Manufacturer of yarn                    | Polyester high tenacity filament yarn                | 2012                                          | Direct debit from bank account upon letter of credit at sight                                | 1,256                                                                                             | 10.3        |
| Supplier H                                             | Vietnam  | Manufacturer of fibre and rubber thread | Natural rubber thread                                | 2015                                          | Telegraphic transfer within 45 days of receipt of goods                                      | 985                                                                                               | 8.1         |
| Supplier G                                             | the PRC  | Manufacturer of yarn                    | Polyester high tenacity filament yarn                | 2015                                          | Direct debit from bank account with letter of credit at 60 days                              | 911                                                                                               | 7.5         |
| Supplier A                                             | Thailand | Manufacturer of natural rubber thread   | Natural rubber thread                                | 1997                                          | Direct debit from bank account against acceptance within 90 days from date of bill of lading | 852                                                                                               | 7.0         |
| Supplier E                                             | Vietnam  | Manufacturer of yarn                    | Polypropylene multifilament yarn                     | 2012                                          | Telegraphic transfer within 30 days from date of delivery and invoice                        | 738                                                                                               | 6.0         |
| <b>Total purchases from our five largest suppliers</b> |          |                                         |                                                      |                                               |                                                                                              | <b>4,742</b>                                                                                      | <b>38.9</b> |

As part of our cost control measures on raw materials, in respect of Supplier F and Supplier G, we entered into contracts for a term not exceeding six months with volume and price being fixed. The committed volume has to be fully delivered to us within the contract term. The raw materials provided by Supplier F and Supplier G are commonly used in our seat belt webbings and therefore we enjoy better bulk purchase terms by entering into these purchase contracts. Such arrangement is a result of negotiations between the relevant suppliers and our Group.

As at the Latest Practicable Date, all of our five largest suppliers during the Track Record Period were Independent Third Parties and none of our Directors, their close associates, or any Shareholders who, to the best knowledge of our Directors, owned more than 5% of our share capital, had any interest in any of our five largest suppliers during the Track Record Period.

## BUSINESS

### SALES AND MARKETING

During the Track Record Period, we sold our products directly to over 600 customers, which included manufacturers and/or their contractors as well as traders who typically on-sell our products to manufacturers. As our customers came from a wide range of industries based in different countries, our export sales accounted for 55.9%, 53.9% and 53.2% of our revenue for FY2015, FY2016 and 1Q2017, respectively. During the Track Record Period, our products were exported to over 30 countries, including the United States, the United Kingdom, India, Indonesia, Australia, Sri Lanka and Pakistan.

Except for customers in Vietnam which are handled by our sales and marketing department in Vietnam, our sales and marketing department in Malaysia is generally the primary communication and support channel for all of our customers.

The following table sets forth the breakdown of our revenue by geographical locations for the Track Record Period:

|                                  | Year ended 31 December |              |               |              | Three months ended 31 March |              |               |              |
|----------------------------------|------------------------|--------------|---------------|--------------|-----------------------------|--------------|---------------|--------------|
|                                  | 2015                   |              | 2016          |              | 2016                        |              | 2017          |              |
|                                  | RM'000                 | %            | RM'000        | %            | RM'000<br>(Unaudited)       | %            | RM'000        | %            |
| <b>Domestic</b>                  |                        |              |               |              |                             |              |               |              |
| Malaysia                         | 11,693                 | 13.1         | 9,751         | 10.0         | 2,640                       | 11.8         | 1,965         | 7.0          |
| Vietnam                          | 27,568                 | 31.0         | 35,413        | 36.1         | 7,630                       | 34.2         | 11,098        | 39.8         |
|                                  | 39,261                 | 44.1         | 45,164        | 46.1         | 10,270                      | 46.0         | 13,063        | 46.8         |
| <b>Export</b>                    |                        |              |               |              |                             |              |               |              |
| Asia Pacific <sup>(Note 1)</sup> | 21,275                 | 23.9         | 27,077        | 27.6         | 4,943                       | 22.2         | 8,164         | 29.2         |
| Europe <sup>(Note 2)</sup>       | 11,918                 | 13.4         | 13,290        | 13.6         | 3,336                       | 15.0         | 3,301         | 11.8         |
| North America                    | 14,804                 | 16.6         | 11,556        | 11.8         | 3,402                       | 15.3         | 3,124         | 11.2         |
| Others                           | 1,776                  | 2.0          | 850           | 0.9          | 332                         | 1.5          | 283           | 1.0          |
|                                  | 49,773                 | 55.9         | 52,773        | 53.9         | 12,013                      | 54.0         | 14,872        | 53.2         |
| <b>Total</b>                     | <u>89,034</u>          | <u>100.0</u> | <u>97,937</u> | <u>100.0</u> | <u>22,283</u>               | <u>100.0</u> | <u>27,935</u> | <u>100.0</u> |

Notes:

1. Including Australia, Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Japan, Korea, New Zealand, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan and Thailand.
2. Including Belgium, France, Germany, Italy, Netherlands, Poland, Portugal, Romania, Spain, Sweden and the United Kingdom.

When we receive enquiries from our potential customers, our sales and marketing department communicates with them to obtain details about their orders such as product specification, volume, packaging and delivery arrangements. Our sales and marketing department, production department and if required, our product modification department, are responsible for evaluating our capacity in accepting the customers' orders. If the foregoing evaluation results suggest acceptance of that order, an order confirmation will be sent to the potential customer. For details on how we handle customers' enquiries and/or requests, see "Business Model — Customers' enquiries and/or requests" in this section.

## **Marketing and promotion**

We emphasise to our customers our strengths in supplying products (i) of high and consistent quality; (ii) which are customised to their specific requirements; (iii) of various order size; and (iv) with strict adherence to the agreed delivery schedule. Set out below are the major marketing and promotion activities undertaken by our sale and marketing department:

- maintain communications with existing and potential customers to introduce our product portfolio and to understand their latest business plans and requirements. This also helps us to keep abreast of the industry trends and development in production technology;
- participation in trade shows and exhibitions, such as VIFA-Expo 2017 (a furniture fair in Vietnam), Saigontex 2017 (a textile and garment industry exhibition in Vietnam), Interzum 2017 (a trade fair for suppliers of the furniture industry and fitting out in Germany) and trade shows organised by the Malaysia External Trade Development Corporation; and
- updating and enhancing our website and profile posted on other industry-related forums from time to time to provide background information about our Group and our product portfolio to potential customers.

As at the Latest Practicable Date, our sales and marketing department comprised 24 personnel, with eight members located in Malaysia and 16 members located in Vietnam. In view of our business expansion plans, we shall commit more financial and human resources into our sales and marketing activities in (i) soliciting branded goods manufacturers or their contractors as well as traders in different regions of the world; (ii) promoting sales of our narrow elastic fabrics to sportswear manufacturers and our seat belt webbing to customers in South Korea; and (iii) consolidating our market position of our existing products. The additional resources required for the foregoing activities will be funded by our internal resources and/or bank borrowings, as appropriate.

## **Seasonality**

Our sales are subject to seasonality. Based on our sales trends during the Track Record Period, we generally experience lower sales during the first quarter and higher sales in the fourth quarter of the year, mainly due to (i) the festive season of Christmas which has an impact on the demand for consumables; and (ii) the relatively long New Year holiday in Vietnam and Malaysia, prompting certain of our customers placing part of their orders earlier in the fourth quarter of the year.

## **Our pricing strategy**

We generally do not enter into any long-term contracts with our customers and will negotiate prices with our customers on an order-by-order basis. We normally adopt a cost-plus pricing strategy, taking into consideration a range of factors including but not limited to:

- raw material cost, which generally refers to the weighted average costs for commonly used raw materials which we keep stock or the prevailing market price for those we purchase only with confirmed sales orders;
- production cost, such as labour cost;
- order volume, usually larger volume for a single set of specifications has lower unit cost;

## BUSINESS

- intricacy of production process which varies for different products or specifications and may involve customisation;
- stringent requirements on quality and safety;
- transportation cost; and
- exchange rate movements.

Our prices are stated in the sales orders and are agreed by customers when they confirm such orders.

During the Track Record Period, the average selling price of our principal products remained relatively stable which, to the best knowledge of our Directors, was mainly due to the following reasons:

- We managed to maintain the selling price of our elastic textile and webbing products at a relatively stable level in general despite a general drop in raw material price mainly because:
  - Many of our customers, especially the branded goods manufacturers or their contractors, put more emphasis on high and consistent product quality and timely delivery as well as fast responsiveness in fulfilling customisation requests. This is prominent for customers in industries such as apparel, intimate apparel or industrial and household applications (such as gloves) which face fast changing consumer taste and just-in-time inventory management is commonly adopted. Therefore, price is not the only nor always the most important consideration for these customers. These customers mainly purchase our covered elastic yarn and narrow elastic fabric products.
  - Many of our customers have stringent supplier selection and procurement approval process which can be both time-consuming and resource-demanding. This is prominent in automobile manufacturing which is subject to different safety and functional standards. Our seat belt webbing customers therefore usually put more emphasis on high and consistent product quality and less willing to change supplier frequently as this may result in supply interruption.
  - The cost of some of our products represents a small portion of the total cost of the end products. For example, according to the Frost & Sullivan Report, furniture webbing usually accounts for up to 3.0% of the total cost of furniture; whereas seat belt webbing usually accounts for less than 0.2% of the total automobile production cost. Accordingly, manufacturers of these end products usually put product quality and timely delivery on a higher priority in choosing suppliers and setting procurement plans.
  - Our long standing business relationship with our customers founded on our product and service quality, coupled with the foregoing operational considerations of the customers, could pose a barrier to competition merely on price.
- We recorded larger sales volume for certain higher specification products with higher grade raw materials or more intricate production process. These products usually command higher selling price.



## **BUSINESS**

We closely monitor the raw material price from time to time. We put much emphasis on maintaining long term and stable relationship with our customers by, among other measures, maintaining relatively stable selling price for our products notwithstanding temporary movements in the market price of raw materials. However, we may negotiate with our customers for price adjustment if the raw material prices go up by 15% or more.

Our Directors consider our pricing strategy is able to reflect our overall costs, including fluctuation in raw material costs, and is acceptable to customers which is proven by being successful in maintaining long business relationships with them.

### **CUSTOMERS**

Our customers can be divided into three main categories, namely (i) branded goods manufacturers who use our products as raw materials or components for their end products; (ii) contractors of the manufacturers mentioned above; and (iii) traders who on-sell our products to their customers.

Our customers include branded goods manufacturers who have long operating history, leading positions in their respective industries, diversified product offering, global presence in terms of their operations or sales, and/or ability to produce quality products and meet safety requirements. It is part of our business strategies to increase our sales and marketing efforts for branded goods manufacturers as our Directors consider these customers could raise our corporate profile and enhance the steadiness of our income in the long run. In addition, to the best of our Directors' knowledge, some branded goods manufacturers engage contractors in different regions in the world for the manufacture and sale of their products in such regions. By establishing business relationships with the headquarters of these branded goods manufacturers and being admitted as one of their approved suppliers for their contractors, we may be able to expand the geographic coverage of our sales to our targeted markets.

Our customers include traders who, our Directors believe, on-sell our products to their customers who are mainly smaller-scale manufacturers. We do not have direct dealings with the customers of these traders. The sales arising from traders amounted to 8.0%, 7.1% and 6.4% of our revenue in FY2015, FY2016 and 1Q2017, respectively. Since selling to end customers through traders is a cost-effective way of increasing our overseas sales, we shall continue to sell to traders.

For FY2015, FY2016 and 1Q2017, sales to our five largest customers amounted to RM29.3 million, RM31.1 million and RM9.6 million, representing 32.9%, 31.7% and 34.3% of our revenue, respectively. Sales to our largest customer were RM9.6 million, RM10.7 million and RM2.6 million, representing 10.8%, 10.9% and 9.4% of our revenue, respectively. The payments made by our customers were primarily in USD, RM and VND.

## BUSINESS

The tables below provide you with information on our five largest customers during the Track Record Period.

### For the year ended 31 December 2015

| Customer   | Background information of the customer                                                                                                                                                                                                                                | Place of incorporation of the customer's sole/largest shareholder | Our principal products purchased by the customer | Year commencing business relationship with us | Our typical credit terms to the customer and their payment method                    | Our sales to the customer in the year |                  |
|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------------------|-----------------------------------------------|--------------------------------------------------------------------------------------|---------------------------------------|------------------|
|            |                                                                                                                                                                                                                                                                       |                                                                   |                                                  |                                               |                                                                                      | RM'000                                | % of our revenue |
| Customer A | Private companies incorporated in Malaysia and Vietnam, respectively, of a group established in the 1950s which principally engages in the manufacture of gloves for industrial use, with operations in North America, South America, Europe and Asia Pacific regions | Netherlands                                                       | Covered elastic yarn                             | 1999                                          | Telegraphic transfer on or before the 30th day of the following month after delivery | 9,615                                 | 10.8             |
| Customer B | A private company incorporated in 2001 and headquartered in Tennessee of the US which principally engages in the supply of medical products and marketing and distribution of medical devices to the healthcare industry                                              | — <sup>(Note)</sup>                                               | Rubber tape                                      | 2001                                          | Telegraphic transfer within 14 days upon notification                                | 5,703                                 | 6.4              |
| Customer C | A private company incorporated in 2009 and headquartered in Vietnam which principally engages in the manufacture of undergarment                                                                                                                                      | Vietnam                                                           | Narrow elastic fabric                            | 2013                                          | Telegraphic transfer within 30 days from date of delivery and invoice                | 4,994                                 | 5.6              |

## BUSINESS

| Customer                                            | Background information of the customer                                                                                                                                                                                                                              | Place of incorporation of the customer's sole/largest shareholder | Our principal products purchased by the customer | Year commencing business relationship with us | Our typical credit terms to the customer and their payment method | Our sales to the customer in the year<br>RM'000 % of our revenue |      |
|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------------------|-----------------------------------------------|-------------------------------------------------------------------|------------------------------------------------------------------|------|
| Customer D                                          | A private company incorporated in the 1950s and headquartered in Pennsylvania of the US which principally engages in the manufacture and sale of netting, food service products, medical bandages and equipments for netting and slicing to a variety of industries | —(Note)                                                           | Covered elastic yarn                             | 2006                                          | Telegraphic transfer within 90 days from date of bill of lading   | 4,633                                                            | 5.2  |
| Customer E                                          | A private company incorporated in 1993 and headquartered in Indonesia which principally engages in the manufacture of safety belt for automobiles                                                                                                                   | US                                                                | Seat belt webbing                                | 1998                                          | Telegraphic transfer within 30 days from date of invoice          | 4,387                                                            | 4.9  |
| Total sales derived from our five largest customers |                                                                                                                                                                                                                                                                     |                                                                   |                                                  |                                               |                                                                   | 29,332                                                           | 32.9 |

*Note:* The identity of the shareholder is not publicly available.

### For the year ended 31 December 2016

| Customer   | Background information of the customer                                                                                                                                                                                                                                | Place of incorporation of the customer's sole/largest shareholder | Our principal products purchased by the customer | Year commencing business relationship with us | Our typical credit terms to the customer and our payment method                   | Our sales to the customer in the year<br>RM'000 % of our revenue |      |
|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------------------|-----------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------------------------------|------|
| Customer A | Private companies incorporated in Malaysia and Vietnam, respectively, of a group established in the 1950s which principally engages in the manufacture of gloves for industrial use, with operations in North America, South America, Europe and Asia Pacific regions | Netherlands                                                       | Covered elastic yarn                             | 1999                                          | Telegraphic transfer or before the 30th day of the following month after delivery | 10,652                                                           | 10.9 |

## BUSINESS

| Customer                                                   | Background information<br>of the customer                                                                                                                                                                                                                           | Place of<br>incorporation of<br>the customer's<br>sole/largest<br>shareholder | Our principal<br>products<br>purchased by<br>the customer | Year<br>commencing<br>business<br>relationship<br>with us | Our typical<br>credit terms to<br>the customer<br>and our<br>payment method | Our sales to<br>the customer in the year<br><i>% of our<br/>RM'000 revenue</i> |             |
|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------|-------------|
| Customer F                                                 | A private Indian incorporated company of a South Korea group established in 1978 with headquarters in South Korea which principally engages in the manufacture of safety belt for automobiles                                                                       | South Korea                                                                   | Seat belt webbing                                         | 2015                                                      | Telegraphic transfer within 30 days from date of bill of lading             | 6,253                                                                          | 6.4         |
| Customer G                                                 | A private company of a French undergarment group established in 1988 with headquarters in Dong Nai Province of Vietnam which principally engages in the manufacture of undergarment for brands owned by its group and for other companies                           | Vietnam                                                                       | Narrow elastic fabric                                     | 2004                                                      | Telegraphic transfer within 90 days from date of invoice                    | 5,143                                                                          | 5.2         |
| Customer E                                                 | A private company incorporated in 1993 and headquartered in Indonesia which principally engages in the manufacture of safety belt for automobiles                                                                                                                   | US                                                                            | Seat belt webbing                                         | 1998                                                      | Telegraphic transfer within 30 days from date of invoice                    | 4,609                                                                          | 4.7         |
| Customer D                                                 | A private company incorporated in the 1950s and headquartered in Pennsylvania of the US which principally engages in the manufacture and sale of netting, food service products, medical bandages and equipments for netting and slicing to a variety of industries | — <sup>(Note)</sup>                                                           | Covered elastic yarn                                      | 2006                                                      | Telegraphic transfer within 90 days from date of bill of lading             | 4,429                                                                          | 4.5         |
| <b>Total sales derived from our five largest customers</b> |                                                                                                                                                                                                                                                                     |                                                                               |                                                           |                                                           |                                                                             | <u>31,086</u>                                                                  | <u>31.7</u> |

*Note:* The identity of the shareholder is not publicly available.

## BUSINESS

### For the three months ended 31 March 2017

| Customer                                            | Background information of the customer                                                                                                                                                                                                                                | Place of incorporation of the customer's sole/largest shareholder | Our principal products purchased by the customer | Year commencing business relationship with us | Our typical credit terms to the customer and our payment method                      | Our sales to the customer in the period |                  |
|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------------------|-----------------------------------------------|--------------------------------------------------------------------------------------|-----------------------------------------|------------------|
|                                                     |                                                                                                                                                                                                                                                                       |                                                                   |                                                  |                                               |                                                                                      | RM'000                                  | % of our revenue |
| Customer A                                          | Private companies incorporated in Malaysia and Vietnam, respectively, of a group established in the 1950s which principally engages in the manufacture of gloves for industrial use, with operations in North America, South America, Europe and Asia Pacific regions | Netherlands                                                       | Covered elastic yarn                             | 1999                                          | Telegraphic transfer on or before the 30th day of the following month after delivery | 2,626                                   | 9.4              |
| Customer G                                          | A private company of a French undergarment group established in 1988 with headquarters in Dong Nai Province of Vietnam which principally engages in the manufacture of undergarment for brands owned by its group and for other companies                             | Vietnam                                                           | Narrow elastic fabric                            | 2004                                          | Telegraphic transfer within 90 days from date of invoice                             | 2,176                                   | 7.8              |
| Customer B                                          | A private company incorporated in 2001 and headquartered in Tennessee of the US which principally engages in the supply of medical products and marketing and distribution of medical devices to the healthcare industry                                              | —(Note)                                                           | Rubber tape                                      | 2001                                          | Telegraphic transfer within 14 days upon notification                                | 1,703                                   | 6.1              |
| Customer F                                          | A private Indian incorporated company of a South Korea group established in 1978 with headquarters in South Korea which principally engages in the manufacture of safety belt for automobiles                                                                         | South Korea                                                       | Seat belt webbing                                | 2015                                          | Telegraphic transfer within 30 days from date of bill of lading                      | 1,570                                   | 5.6              |
| Customer H                                          | A private Vietnam incorporated company of a US clothing group established in 1851 with operations in the US and the United Kingdom which principally engages in the manufacture of garment                                                                            | Ireland                                                           | Narrow elastic fabric                            | 2016                                          | Telegraphic transfer within 30 days from date of invoice                             | 1,515                                   | 5.4              |
| Total sales derived from our five largest customers |                                                                                                                                                                                                                                                                       |                                                                   |                                                  |                                               |                                                                                      | 9,590                                   | 34.3             |

*Note:* The identity of the shareholder is not publicly available.

As at the Latest Practicable Date, all of our five largest customers during the Track Record Period were Independent Third Parties and none of our Directors, their associates or any Shareholders who, to the best knowledge of our Directors, owned more than 5% of our share capital, had any interest in any of our five largest customers. During the Track Record Period, none of our suppliers are also our major customers.

#### **Principal contractual terms and credit terms**

During the Track Record Period, we generally did not enter into long-term contracts with our customers. Generally, we enter into individual sales orders with our customers. The terms typically included in these sales orders are product specifications, unit price, volume, delivery schedule and payment terms. In accordance with common commercial practice in Vietnam, we may also enter into framework agreements with our customers. The framework agreements which usually have a term within a year do not provide for any fixed price or quantity commitment but only set out general sales terms such as product name, payment and delivery arrangements. Sales made under these framework agreements are concluded by individual sales orders which set out detailed terms such as product specifications, volume and price. We generally require new customers to pay us a deposit, followed by full settlement prior to delivery. We granted credit periods of up to 90 days to our major customers during the Track Record Period.

#### **Delivery arrangement**

We are usually required to be responsible for the delivery of products to our customers and the payment of the delivery and transportation costs. In general, for sales to overseas customers, delivery and the transfer of risks take place when we deliver our products to the ports designated by our customers. In domestic sales, deliveries are generally made to the locations designated by our customers, while small number of customers arrange their own transport and pick up the products from our production facilities directly. We generally engage third party logistic service providers for the delivery of products to our customers in both domestic and export sales. For FY2015, FY2016 and 1Q2017, our transportation costs amounted to RM1.2 million, RM1.3 million and RM0.4 million, respectively. During the Track Record Period, we did not experience any material disruption to our delivery arrangements and we did not suffer any material loss or pay any compensation as a result of delays in deliveries to our customers.

#### **After-sale services, product return and warranty**

Our sales orders set out, among other terms, detailed product specifications and quality requirements. We strictly adhere to these sales terms in our production and quality control process. Nevertheless, incidents in relation to our product and service quality may arise. Our sales and marketing department coordinates and communicates with customers for the provision of after-sale services. Customers can contact our sales and marketing department for any feedbacks or problems with our products or services. Complaints from customers are passed to the management of each of our operations who would coordinate and evaluate the investigation and settlement processes, if considered valid. Records relating to the settlement of customers' complaint are filed when the case is closed. Customers can also return any products that fail to comply with the specifications or quality standards at our costs, within the period set out in the sales orders, for our remedial actions. Subject to the demand from and discussion with customers, we may arrange replacement for the returned products on a case-by-case basis. We usually do not provide warranty term. Our Directors confirm that during the Track Record Period, no material quality issue had been recorded.

During the Track Record Period and up to the Latest Practicable Date, our Group (i) did not receive any material complaints or claims from our customers in relation to the quality of our products; and (ii) did not have any material sales return or product recall.

### **Commercial Activities in Sanctioned Countries**

The United States and other jurisdictions or organisations, including the European Union, the United Nations and Australia maintain comprehensive or broad economic sanctions targeting Sanctioned Countries and Sanctioned Persons. As advised by our International Sanctions Legal Advisers, International Sanctions specifically targeting Egypt, Tunisia and Russia during the Track Record Period were not comprehensive in nature, but generally consisted of (i) restrictions on certain forms of trade with the Sanctioned Country, and (ii) economic sanctions (i.e. asset freezing or blocking measures) targeting Sanctioned Persons.

During the Track Record Period, our Group had limited product sales to counterparties in Sanctioned Countries, namely Egypt and Tunisia. These sales consisted of (i) direct sales to one customer in Egypt; (ii) sales to a customer in the United Arab Emirates that were consigned to a counterparty in Egypt; and (iii) sales to a customer in Hong Kong that were consigned to a counterparty in Tunisia.

In addition to sales to counterparties in Sanctioned Countries, our Group also indirectly procured raw materials from a counterparty in Russia, which is also a Sanctioned Country. We made the raw materials purchases directly from a supplier that is not located in any country subject to International Sanctions. However, we are aware that this supplier sourced the materials from an original supplier in Russia.

As advised by our International Sanctions Legal Advisers, (i) neither our direct customer in Egypt nor our indirect counterparties in Egypt or Tunisia are identified as a Sanctioned Person; (ii) neither our direct supplier nor the original supplier in Russia are identified as a Sanctioned Person; and (iii) our product sales to counterparties in Egypt or Tunisia and our indirect procurement of raw materials from the counterparty in Russia during the Track Record Period were not subject to the restrictions on certain form of trade with Sanctioned Countries under the International Sanctions.

We are further advised by our International Sanctions Legal Advisers that our commercial activities in Sanctioned Countries during the Track Record Period did not involve Sanctioned Persons and are not in breach of International Sanctions and do not implicate International Sanctions on us, our Shareholders, the Stock Exchange, HKSCC, HKSCC Nominees and the SFC.

In providing their advice, our International Sanctions Legal Advisers:

- (a) reviewed commercial invoices and contractual documentation provided by us that evidence our sales transactions to customers and/or counterparties located in the Sanctioned Countries during the Track Record Period;
- (b) reviewed information provided by us in relation to our indirect procurement of raw materials from Russia;
- (c) instructed a third party screening provider to screen the list of customers and/or counterparties in Egypt and Tunisia provided by us to whom sales have been made directly or indirectly during the Track Record Period against the consolidated lists of sanctioned targets maintained by the United States, the European Union, the United Nations and

## BUSINESS

Australia, and confirmed that none of these customers and/or counterparties are listed as a designated target under the United States', the European Union's, the United Nations' and Australia's sanctions;

- (d) instructed the same third party screening provider to screen the list provided by us of the Company's customers in all other countries other than the Sanctioned Countries during the Track Record Period against the consolidated lists of sanctioned targets maintained by the United States, the European Union, the United Nations and Australia; and
- (e) received written confirmation from us that except as otherwise disclosed in this prospectus, neither our Group nor any of our affiliates (including any representative office, branch, subsidiary or other entity which forms part of the Group) conducted any business dealing in or with any other countries or persons that are subject to International Sanctions during the Track Record Period.

### **Sanctions Related Undertakings and Risk Management**

We will not undertake any future activities that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, and/or our Shareholders to violate or to become a target of International Sanctions.

We have no current intention to continue our sales to Egypt or Tunisia after the Listing.

After the Listing, we will disclose on the respective websites of the Stock Exchange and our Company if we believe that any transaction that our Group enters into in or with any Sanctioned Country or Sanctioned Person would put our Group and/or our Shareholders at risk of violating or becoming the target of International Sanctions, and to disclose in our annual reports, interim reports and/or quarterly reports our efforts on monitoring our business exposure to International Sanctions risk, the status of future business, if any, in Sanctioned Countries and our business intention relating to Sanctioned Countries and/or Sanctioned Persons.

We undertake to the Stock Exchange that (i) we will not use the proceeds from the Share Offer, as well as any other funds raised through the Stock Exchange, to finance or facilitate any activities or business, directly or indirectly, relating to or with any Sanctioned Person or any other person or entity that is a target of any International Sanctions, or in any Sanctioned Country which is prohibited or otherwise restricted pursuant to International Sanctions; and (ii) we will not undertake any transactions that would result in our Group, or any person or entity, including our Shareholders, the Stock Exchange, the HKSCC and the HKSCC Nominees acting in breach of International Sanctions. If we breach any of these undertakings to the Stock Exchange after the Share Offer, it is possible that the Stock Exchange may delist our Shares.

We will continuously monitor and evaluate our business and take measures to comply with our aforesaid undertakings to the Stock Exchange to protect the interest of our Group and our Shareholders. We have adopted the below measures to monitor and evaluate our business activities in connection with possible International Sanctions risks:

- (a) the setting up of a risk management committee, comprising Mr. Ho Ming Hon (our independent non-executive Director), Dato' Sri Wee Jeck Seng (our independent non-executive Director) and Mr. Tan Chuan Dyi (our executive Director) whose responsibilities include, among others, overseeing our management's activities in managing key risks (including overtime risks), ensuring the risk management process is functioning effectively and reviewing risk management strategies, policies, risk appetite and risk tolerance;



## BUSINESS

- (b) we will evaluate sanctions risks prior to determining whether we should embark on any business opportunities in a Sanctioned Country or with Sanctioned Persons;
- (c) as and when the risk management committee considers necessary, we will retain after the Listing an external International Sanctions legal advisers with necessary expertise and experience in International Sanctions matters for recommendations and advice; and
- (d) the external International Sanctions legal advisers, once engaged by us after the Listing, will provide training sessions relating to the sanctions laws to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations.

Our Directors are of the view that the risk management measures set out above will provide a reasonably adequate and effective framework to assist us in identifying and monitoring any material International Sanctions risk so as to protect the interests of our Company and our Shareholders. With regard to these measures, after undertaking relevant due diligence, and subject to the full implementation and enforcement of these measures, the Sole Sponsor is also of the view that these measures will provide a reasonably adequate and effective framework to assist our Group in identifying and monitoring any material International Sanctions risks.

### QUALITY CONTROL

We place great emphasis on quality standards and are committed to achieving quality excellence. As at the Latest Practicable Date, there were 48 employees in our quality control department, of which 13 were based in Malaysia and 35 were based in Vietnam.

We have implemented and put in place the following internal quality control guidelines and measures throughout our production process from use of qualified suppliers to packaging:

#### **Use of qualified suppliers**

Our suppliers are selected based on, among other things, price and payment terms, product and service quality, operation scale and geographical proximity to our production facilities. Our purchase and procurement department collects, records and assesses the background information of the potential suppliers. We also perform tests on samples collected from potential suppliers and may engage them on trial basis. We compile quality evaluation report for each of these potential suppliers and those who pass the evaluation procedures to our satisfaction will be admitted as our qualified suppliers.

A qualified supplier list for our principal raw materials is maintained by our purchase and procurement department and all principal raw materials must be purchased from our qualified suppliers. We closely monitor the performance of our suppliers and quotations from different suppliers are generally obtained prior to certain procurement to ensure the competitiveness of their pricing. Suppliers that fail to keep up with our requirements on product and service quality or contribute to material product defects at any stage of production may be removed from the qualified supplier list.

### **Inspection and testing of incoming raw materials**

We conduct manual and visual inspections in accordance with our incoming inspection and testing procedures in our quality control manual and, where appropriate, in-house laboratory tests on incoming raw materials to ensure that these materials meet the agreed specifications and our quality standards. Sample inspection on appearance such as smell, weight, packaging, stain or colour is conducted and we test the raw materials on breaking elongation, breaking strength, mooney viscosity, tenacity, warp and weft density and their elastin contents. Quality certificates issued by suppliers are also generally required for the raw materials delivered to us. If defects are found, we are entitled to reject the products and request for replacement.

### **Inspection during production process**

Quality control measures are implemented throughout the production process to ensure that defective semi-finished products will not proceed to the next stage of the production process. At each production stage, our operators, shift leaders and quality control department conduct checks and testing on semi-finished products on full or sample basis according to our quality control procedure at various production stages and for different kinds of products. The checks and testings include (i) colour and colour fastness which are checked against the colour confirmation card and product specification by visual inspection and/or spectrophotometer; (ii) elongation, thickness, length and width which are checked against the product specification by hand stretch, tensile tester, steel ruler, weighing and/or thickness gauge; and (iii) appearance which are checked against material specification by visual inspection. Any items which do not pass the quality checks will either be discarded or reprocessed depending on the type and severity of the defect.

### **Final inspection**

We conduct a final inspection on all our products to assess product safety and conformity with design and colour specifications to ensure that the products meet the requirements of our customers.

Different laboratory equipment are utilised to assess the tensile or stretchability of our finished goods. For example, we employ equipment to test resistance to abrasions to ensure the durability and safety of seat belts. In respect of our products' appearance, our spectrophotometer colour inspection equipment help to ensure that our products which involve the dyeing process are of the exact colour as required by our customers and our colour fastness tests assess our products' resistance to material colour fading or running against washing, water, perspiration, rubbing and yellowing.

We also conduct a final visual inspection on our products for any defects before packaging and delivering them to our customers. Upon our clients' request, we issue quality certificates for our despatched products which include items such as thickness, breaking elongation and breaking strength.

### **Quality certification**

From time to time, our internal production processes comply with (i) recognised quality standards such as the ISO 9001:2008, ISO 14001:2015, ISO/TS 16949:2009 and the Oeko-Tex® Standard 100; (ii) quality standards generally adopted by the textile industry; and (iii) quality requirements on packaging set out by our customers. For details of our accreditations, see "Awards and Accreditations" in this section.

## BUSINESS

We believe that the experience of our team and stringent quality control measures have been and will continue to be a key contributor to our high and consistent product quality, from which we derive our competitive advantage that accounted for our achievements in the past and fuel our continual growth in the future. In this regard, we plan to further enhance our quality control capability. See “Our Business Strategies” in this section for details.

### INVENTORY MANAGEMENT

Our inventory mainly consists of raw materials and finished goods. As at 31 December 2015 and 2016 and 31 March 2017, we held inventories worth of RM22.0 million, RM23.9 million and RM26.2 million, respectively.

We manage our inventory levels with the help of our information technology systems and physical records, which keep moving record of our inventory levels. Our warehouse staff will also conduct physical inventory taking at our production facility on a monthly basis to ensure accuracy of our inventory record and inspect physical condition of our inventory. Our warehousing department works together with our purchase and procurement and production departments to keep track of the sufficiency of raw materials.

The table below sets forth a breakdown of our purchases by type of raw materials for the years/ periods indicated:

|               | Year ended 31 December |              |               |              | Three months ended 31 March |              |               |              |
|---------------|------------------------|--------------|---------------|--------------|-----------------------------|--------------|---------------|--------------|
|               | 2015                   |              | 2016          |              | 2016                        |              | 2017          |              |
|               | RM'000                 | %            | RM'000        | %            | RM'000                      | %            | RM'000        | %            |
|               |                        |              |               |              | (Unaudited)                 |              |               |              |
| Raw materials |                        |              |               |              |                             |              |               |              |
| — Yarn        | 21,323                 | 57.3         | 22,436        | 58.5         | 4,945                       | 59.9         | 7,340         | 60.3         |
| — Rubber      | 10,720                 | 28.8         | 8,711         | 22.7         | 1,964                       | 23.8         | 3,409         | 28.0         |
| — Steel       | 1,354                  | 3.6          | 2,815         | 7.3          | 404                         | 4.9          | 676           | 5.5          |
| — Colour dye  | 1,804                  | 4.8          | 1,821         | 4.7          | 494                         | 6.0          | 229           | 1.9          |
| — Chemicals   | 1,026                  | 2.8          | 1,207         | 3.1          | 233                         | 2.8          | 427           | 3.5          |
| — Others      | 1,005                  | 2.7          | 1,390         | 3.7          | 214                         | 2.6          | 101           | 0.8          |
|               | <u>37,232</u>          | <u>100.0</u> | <u>38,380</u> | <u>100.0</u> | <u>8,254</u>                | <u>100.0</u> | <u>12,182</u> | <u>100.0</u> |

Our principal raw materials, namely (i) yarns of different types such as polyester high tenacity filament yarn, polypropylene multifilament yarn, nylon yarn and spandex yarn; (ii) natural and synthetic rubber and natural rubber threads; (iii) steel plate; (iv) colour dyes; (v) other chemicals; and (vi) packaging materials, generally have a shelf life of six months to 10 years. Natural rubber thread and spandex yarn have the shortest shelf life of six months to one year, followed by natural and synthetic rubber, colour dyes and other chemicals which have up to five years of shelf life and polyester high tenacity filament yarn, polypropylene multifilament yarn, nylon yarn and steel plate having up to 10 years of shelf life.

We normally keep inventory for principal and commonly used raw materials at levels that are sufficient for one to three months' production; and procure raw materials and supplies which are usually specific to individual sales orders (such as coloured yarn) on a back-to-back basis. Our Directors believe such inventory policy, along with our pricing strategy as elaborated in “Sales and Marketing — Our pricing strategy” in this section, have enabled us to mitigate any adverse effect attributable to fluctuation in raw material cost as only our principal raw materials are procured in advance at levels sufficient to meet operational needs.

## **BUSINESS**

Our average inventory turnover days as at 31 December 2015 and 2016 and 31 March 2017 were 117.8 days, 118.2 days and 114.8 days, respectively. Obsolete or slow moving inventories are written down based on an assessment of their estimated net selling price by our management. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Sales trend and current economic trends are taken into account when evaluating the adequacy of the write down for obsolete or slow moving inventories. During the Track Record Period, inventories written down amounted to RM0.9 million, RM0.6 million and RM0.4 million, respectively.

### **PRODUCT MODIFICATION**

As at the Latest Practicable Date, our product modification department consisted of a total of 17 members, of which seven were based in Malaysia and 10 were based in Vietnam. Our product modification department is mainly responsible for (i) continuous product modification, catering and responding to our customers' customisation requests; and (ii) product and process improvement with a view to enhance product quality and optimise operational efficiency. To perform its functions, the product modification department works closely with our different departments, including sales and marketing, production and quality control.

From time to time, our sales and marketing department seeks support from product modification department before concluding sales orders with customers. See "Sales and Marketing" in this section for details. Our product modification department also takes the lead in improving product quality and production efficiency. Proposals made by the product modification department have to be evaluated and approved by the production managers of our respective production facilities. For fundamental product modification, such as change of raw materials, final approval from our technical director is required. To facilitate its work, the product modification department collects latest industry information through various means, such as studying product specifications required by customers, communicating with suppliers and customers and attending trade exhibitions. Our Directors consider product modification capability as one of our strengths from which we are able to achieve product customisation to fuel our ongoing business development. See "Competitive Strengths" in this section for details.

Going forward, we plan to allocate more resources to further develop our product modification capability by studying the latest industry trends, production technology and raw materials to explore and develop new product applications. See "Our Business Strategies" for further details.

Our expenditure on product modification expenses were mainly staff costs, which were recognised as expenses in our income statement.

### **INSURANCE**

We maintain insurance policies for (i) our production facilities operations covering losses arising from fire, public liability, group personal accident and industrial risk; (ii) our vehicles; and (iii) our employees, including social insurance and health insurance and compensation scheme for our foreign workers. During the Track Record Period, we did not maintain any product liability insurance which was not required under the laws of Malaysia and Vietnam. Our Directors also confirm that we were not subject to any product liability claim during the Track Record Period and up to the Latest Practicable Date. For associated risks, see "Risk Factors — Risks relating to our Business and Industry — We may not be adequately insured against losses and liabilities arising from our operations." in this prospectus.

## BUSINESS

Our Directors consider our insurance coverage to be customary for businesses of our size and type and is consistent with standard commercial practice in Malaysia and Vietnam, where we have operations. We also believe that our insurance coverage is adequate with respect to our business operations. During the Track Record Period and up to the Latest Practicable Date, we had not made any significant claims under these insurance policies.

### EMPLOYEES

As at the Latest Practicable Date, we had a total of 925 full-time employees (excluding staff of FCV (VN), our subsidiary prior to 14 September 2017), of which 203 were based in Malaysia and 722 were based in Vietnam. We set out below a breakdown of the number of employees by department as at the Latest Practicable Date:

|                               | Number of employees |            |            |
|-------------------------------|---------------------|------------|------------|
|                               | Malaysia            | Vietnam    | Total      |
| Management and administration | 13                  | 33         | 46         |
| Production                    | 141                 | 582        | 723        |
| Product modification          | 7                   | 10         | 17         |
| Quality control               | 13                  | 35         | 48         |
| Sales and marketing           | 8                   | 16         | 24         |
| Purchase and procurement      | 3                   | 4          | 7          |
| Warehousing                   | 6                   | 28         | 34         |
| Human resources               | 1                   | 4          | 5          |
| Finance and accounting        | 11                  | 10         | 21         |
| <b>Total</b>                  | <b>203</b>          | <b>722</b> | <b>925</b> |

Our employees are one of our most valuable assets. During the Track Record Period, we maintained a good working relationship with our employees.

To address labour shortage in Malaysia, as at 31 December 2015 and 2016, 31 March 2017 and the Latest Practicable Date, we employed 99, 98, 99 and 92 foreign workers, respectively, to work mainly as our production workers in Malaysia from countries such as Nepal, Bangladesh and Myanmar. In addition, as at each of 31 December 2015 and 2016, 31 March 2017 and the Latest Practicable Date, 10, 10, 10 and 8 employees, respectively, were recruited overseas for their skills and/or experience to work at our operations in Vietnam. These foreign workers were recruited by our Group directly as an employer and we were responsible for the obtaining of necessary permits and visas and the payment of their salary. For associated risks, see “Risk Factors — Risks relating to our Business and Industry — Our business, financial condition, results of operations and growth prospects could be adversely affected by difficulties in recruiting and retaining qualified employees as well as increases in the cost of labour.” in this prospectus.

Our Directors are of the view that the ability to recruit and retain experienced and skilled labour is critical to our production stability, quality and continued development. We offer competitive remuneration packages which includes salary, discretionary bonuses and allowances, which are reviewed as part of our internal appraisal process on an annual basis.

## BUSINESS

We provide regular on-the-job training to our staff including technical knowledge, skills development and health and safety. For new production workers, we usually provide training for the first three to six months in order to help them familiarise with the production process and to minimise wastage from inexperience. Our Company also contributes to the Human Resource Development Fund, operated by the Malaysian Government, which funds our internal training for our employees.

For FY2015, FY2016 and 1Q2017, our total staff costs were RM24.3 million, RM28.9 million and RM8.1 million, respectively.

### **Trade Union**

During the Track Record Period, most of our employees in Vietnam were represented by trade unions of our respective Vietnamese subsidiaries in accordance with the laws and regulations in Vietnam. We had entered into collective labour agreements with such trade unions (who act on behalf of the employees of our respective subsidiaries). We are not required to set up any trade union in Malaysia and, during the Track Record Period, no trade union was set up for our employees in Malaysia.

Our Directors confirm that during the Track Record Period, our Group had not encountered or experienced any material labour disputes with any of our employees and trade unions, which would have materially affected our business operations and financial performance.

## **HEALTH, WORK SAFETY AND ENVIRONMENTAL MATTERS**

Our business is subject to certain health, work safety, social and environmental laws and regulations.

### **Health and safety matters**

We endeavour to ensure our employees are provided with a safe working environment. We have a safety and health policy and have implemented various measures at our production facilities to promote occupational health and safety and to ensure compliance with applicable laws and regulations. We conduct health and safety on-the-job training for all our new employees as and when appropriate for continuous improvement. We also publish bulletins with occupational health and safety guidelines, rules and procedures to remind and promote the importance of safety in the workplace at all times and maintain an internal record of workplace accidents.

As required by the relevant laws and regulations in Malaysia, we have set up a Safety and Health Committee to review health and safety matters from time to time to oversee safety in the work environment and regular internal meetings to discuss safety issues, review any recent industrial accidents and to design any required remedial actions. As part of our internal reporting protocol, any workplace accidents, identified cases of occupational diseases and health and safety incidents are first reported to the human resources department while cases such as industrial accidents or accidental spills or discharges of pollutants may be referred to local labour or environmental government authorities. For details relating to health and safety matters to which our Group is subject to, see “Regulatory Overview” in this prospectus.

### **Environmental protection**

We are subject to certain environmental laws and regulations in Malaysia and Vietnam. Further details of these laws and regulations are set out in “Regulatory Overview” in this prospectus. We generate industrial waste, such as sewage from dying process, or other hazardous waste in our

## BUSINESS

production process that require special treatment under applicable environmental standards and measures. In order to ensure our regulatory compliance in this respect, we have in place waste management procedures and engaged an independent and licensed pollutant treatment company to dispose our industrial waste.

Our Directors are of the view that the annual cost of compliance with applicable environmental laws and regulations was not material during the Track Record Period and the cost of such compliance is not expected to be material going forward.

Our Directors believe that our Group has adopted effective measures to prevent and control pollution to the environment. During the Track Record Period, (i) we had not been subject to any material claim, disciplinary action or penalty in relation to health, work safety, social and environmental protection; (ii) our employees had not been involved in any material accident or fatality; and (iii) we had complied with the applicable laws and regulations in all material aspects.

### MARKET AND COMPETITION

The elastic textile and webbing industries are relatively concentrated in Malaysia and Vietnam, with the top three players usually taking up a majority of the production value among all manufacturers in the respective countries. The degree of concentration of our major products in FY2016 are set out below:

|                       | Concentration — Malaysia <sup>(Note 1)</sup> |                       | Concentration — Vietnam <sup>(Note 1)</sup> |                       |
|-----------------------|----------------------------------------------|-----------------------|---------------------------------------------|-----------------------|
|                       | Top 3 Manufacturers                          | Our Group             | Top 3 Manufacturers                         | Our Group             |
| <b>Major products</b> |                                              |                       |                                             |                       |
| Covered elastic yarn  | 51.3%                                        | 31.8%                 | 45.5%                                       | 24.2%                 |
| Narrow elastic fabric | — <sup>(Note 2)</sup>                        | — <sup>(Note 2)</sup> | 50.7%                                       | 20.4%                 |
| Furniture webbing     | 91.2%                                        | 54.4%                 | 64.6%                                       | 44.4%                 |
| Seat belt webbing     | 95.6%                                        | 84.3%                 | — <sup>(Note 2)</sup>                       | — <sup>(Note 2)</sup> |

*Notes:*

1. Concentration in percentage is calculated by dividing the production value of the top three manufacturers or our Group by the production value of all manufacturers for each product in the respective countries.
2. Data is not presented as we did not manufacture the respective products in these countries.

*Source: Frost & Sullivan*

Many manufacturers compete on product quality and price. For those with larger operation scale like our Group, we compete more on product and service quality, capability in producing customised products, flexibility in fulfilling various order size, product portfolio as well as timely delivery.

For further details on the competitive landscape of the industry in which we operate in, see “Industry Overview” in this prospectus.



## BUSINESS

### AWARDS AND ACCREDITATIONS

Over the years, we had received a number of awards and certifications in recognition of our business development and quality standards. Set out below is the highlight of some of the major awards and certificates in respect of our business:

| Awardee    | Award/<br>certification                 | Scope                                                                                                                                                                                                                                                          | Awarding and<br>issuing authority | Date of issue/<br>validity period            |
|------------|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------|
| FMSB (MY)  | ISO 9001:2008                           | Manufacture of furniture webbing, covered elastic yarn and rigid webbing                                                                                                                                                                                       | SGS (Malaysia) Sdn Bhd            | From 30 October 2015 until 14 September 2018 |
|            |                                         |                                                                                                                                                                                                                                                                | SGS United Kingdom Ltd            | From 3 November 2015 until 14 September 2018 |
| FSWSB (MY) | ISO 14001:2015                          | Manufacture of automotive seat belt webbing                                                                                                                                                                                                                    | SGS (Malaysia) Sdn Bhd            | From 17 January 2017 until 5 December 2019   |
|            |                                         |                                                                                                                                                                                                                                                                | SGS United Kingdom Ltd            | From 23 January 2017 until 5 December 2019   |
|            | ISO/TS 16949:2009                       | Manufacture of seat belt webbings                                                                                                                                                                                                                              | TUV Rheinland Cert GmbH           | From 10 June 2017 until 14 September 2018    |
| TMSB (MY)  | ISO 9001:2008                           | Manufacture of rubber strip, cut thread and rubber sheet                                                                                                                                                                                                       | SGS (Malaysia) Sdn Bhd            | From 22 July 2015 until 21 July 2018         |
|            |                                         |                                                                                                                                                                                                                                                                | SGS United Kingdom Ltd            | From 22 July 2015 until 21 July 2018         |
|            | Oeko-Tex® Standard 100 Product Class I  | Natural rubber strip and sheet in colours white and black                                                                                                                                                                                                      | Centexbel (Oeko-Tex®)             | From 28 April 2017 until 31 March 2018       |
| FVSC (VN)  | ISO 9001:2008                           | Manufacturing of furniture webbing, covered elastic yarn and air covered yarn                                                                                                                                                                                  | Intertek Certification Limited    | From 1 January 2015 to 31 December 2017      |
| PEWAV (VN) | Oeko-Tex® Standard 100 Product Class II | Elastic webbing (knitted or woven fabric) for brassiere, panties and underwear in qualities nylon, spandex, polyester and rubber dyed with acid and/or disperse dyes and/or printed with water inks based on Standard 100 by Oeko-Tex® pre-certified materials | Centexbel (Oeko-Tex®)             | From 14 September 2017 until 31 August 2018  |



## **PERMITS, LICENCES AND APPROVALS**

As at the Latest Practicable Date, we had obtained all requisite permits, licences and approvals for our business operations and production processes in Malaysia and Vietnam. See “Regulatory Overview — Licences, Permits and Registrations” in this prospectus for further details.

## **INFORMATION TECHNOLOGY**

We have set up, among other things, a number of information technology systems for our business operations. For example, (i) our accounting software is used for, among other things, recording payable to suppliers, receivable from customers and sales and inventory-related data; (ii) our data colour software is used in the colour testing of our products and samples; and (iii) our AutoCAD software is used in making drawings relating to, among other things, machines when modification is made in our product modification process.

As confirmed by our Directors, there had not been any unexpected system or network failure which caused material interruption to our operations during the Track Record Period.

## **INTELLECTUAL PROPERTY**

Protecting and enforcing our intellectual property rights are critical to our business. As at the Latest Practicable Date, we had registered five trademarks in Malaysia and Vietnam which we consider to be material to our operations. We had also registered five domain names. As at the Latest Practicable Date, our Group had submitted applications for the registration of two logos in Malaysia. As advised by our Malaysian Legal Advisers, they are not aware of any material legal impediment for our Group to register the logos as trademarks.

For the risks associated with our unregistered logos or our intellectual properties, see “Risk Factors — Risks relating to our Business and Industry — We may be subject to intellectual property rights dispute, which could adversely affect our business, results of operations and financial conditions” in this prospectus. For details of our material trademarks and domain name, see “Statutory and General Information — Further Information about the Business of our Group — 10. Intellectual property rights of our Group” in Appendix V to this prospectus.

During the Track Record Period, we were not aware of any proceedings concerning any material claims of infringement of any of our intellectual property rights that may be threatened or pending, in which any member of our Group is the claimant or respondent. We believe that we have taken all reasonable measures to protect our intellectual property rights and deter any such infringement.

## BUSINESS

### PROPERTIES

#### Owned properties in Malaysia

As at the Latest Practicable Date, we owned five parcels of land and the buildings erected on the land with an aggregate gross floor area of 196,487.0 sq.ft. in Malaysia. The table below sets forth details of the properties owned by us in Malaysia as at the Latest Practicable Date:

| Title details                                                                                                                    | Registered owner | Type of ownership | Description/Usage                                                                  | Approximate land area<br>(sq.ft.) | Approximate gross floor area of the building<br>(sq.ft.) | Tenure of leasehold | Leasehold expiry date |
|----------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------|------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------------------|---------------------|-----------------------|
| H.S. (M) 967<br>Lot P.T. 208<br>Mukim of Cheras<br>District of Hulu Langat<br>State of Selangor Darul Ehsan <sup>(Note 1)</sup>  | FMSB (MY)        | Leasehold         | Land together with factory, office and ancillary facilities occupied by FSWSB (MY) | 51,905.0                          | 30,188.0                                                 | 60 years            | 11 February 2075      |
| H.S. (M) 1594<br>Lot P.T. 2374<br>Mukim of Cheras<br>District of Hulu Langat<br>State of Selangor Darul Ehsan                    | FMSB (MY)        | Leasehold         | Land together with factory, office and ancillary facilities occupied by FMSB (MY)  | 87,123.0                          | 79,681.0                                                 | 99 years            | 3 July 2083           |
| H.S. (M) 943<br>Lot P.T. 7179<br>Mukim of Cheras<br>District of Hulu Langat<br>State of Selangor Darul Ehsan <sup>(Note 2)</sup> | SSKSB (MY)       | Leasehold         | Land together with factory owned and occupied by FMSB (MY)                         | 56,253.0                          | 53,888.0                                                 | 60 years            | 11 February 2075      |
| H.S. (D) 37374<br>Lot P.T. 4886<br>Mukim and District of Klang<br>State of Selangor Darul Ehsan                                  | TMSB (MY)        | Freehold          | Terrace house as hostel for workers occupied by TMSB (MY)<br><sup>(Note 3)</sup>   | 840.0                             | 1,260.0                                                  | N/A                 | N/A                   |
| GM8265<br>Lot 87591<br>Mukim and District of Klang<br>State of Selangor Darul Ehsan                                              | TMSB (MY)        | Freehold          | Land together with factory, office and ancillary facilities occupied by TMSB (MY)  | 50,515.0                          | 31,470.0                                                 | N/A                 | N/A                   |

#### Notes:

1. Pursuant to a tenancy agreement dated 31 December 2016, the premises was leased by FMSB (MY) to FSWSB (MY).
2. Pursuant to a tenancy agreement dated 31 December 2015, the land was leased by SSKSB (MY) to FMSB (MY), who had built a building on the leased land. Therefore, SSKSB (MY) is the legal owner of the land, while FMSB (MY) is the legal owner of the building erected on the land.
3. The land is deemed to be part of the terrace house when we made the acquisition.

## BUSINESS

### Tenanted property in Malaysia

As at the Latest Practicable Date, we entered into a tenancy in respect of one building in Malaysia:

| Location                                                                 | Tenant       | Landlord                   | Description/Usage                                                         | Approximate gross floor area (sq.ft.) | Term of the tenancy                                                 | Tenancy expiry date |
|--------------------------------------------------------------------------|--------------|----------------------------|---------------------------------------------------------------------------|---------------------------------------|---------------------------------------------------------------------|---------------------|
| No. 8<br>Jalan Spring 34/23<br>Seksyen 34<br>40470 Shan Alam<br>Selangor | TMSB<br>(MY) | Independent<br>Third Party | Building for packaging<br>and storing of<br>manufactured rubber<br>strips | 22,173.7                              | 3 years (with<br>an option to<br>renew for a<br>further<br>3 years) | 30 October<br>2019  |

### Owned properties in Vietnam

As at the Latest Practicable Date, we owned the buildings erected on the land with an aggregate gross floor area of 346,237 sq.ft. in Vietnam. The table below sets forth details of the properties owned by us in Vietnam as at the Latest Practicable Date:

| Location                                                                                                                            | Subject of ownership | Registered owner | Description/Usage                                                    | Approximate gross floor area (sq.ft.) | Tenure of leasehold | Leasehold expiry date |
|-------------------------------------------------------------------------------------------------------------------------------------|----------------------|------------------|----------------------------------------------------------------------|---------------------------------------|---------------------|-----------------------|
| No. 18 Street No. 3A<br>Bien Hoa 2 Industrial Zone<br>Long Binh Tan Ward<br>Bien Hoa City<br>Dong Nai Province <sup>(Note 2)</sup>  | Building             | FVSC (VN)        | Factory, office and<br>ancillary facilities                          | 144,358.2                             | N/A                 | N/A                   |
| Street No. 8<br>Nhon Trach 1 Industrial Park<br>Phuoc Thien Commune<br>Nhon Trach District<br>Dong Nai Province <sup>(Note 3)</sup> | Building             | PEWAV<br>(VN)    | Factory, office and<br>ancillary office<br>occupied by<br>PEWAV (VN) | 201,878.8                             | N/A                 | N/A                   |

#### Notes:

- The table above excludes the building owned by FCV (VN) located at Street No. 2, Nhon Trach 1 Industrial Park, Phuoc Thien Commune, Nhon Trach District, Dong Nai Province with a gross floor area of 101,355.3 sq.ft., which was used as factory, office and ancillary facilities occupied by FCV (VN). FCV (VN) ceased to be our subsidiary and became our associate on 14 September 2017. See “History, Reorganisation and Corporate Structure — Significant Shareholding Changes in Members of our Group during the Track Record Period and up to the Latest Practicable Date — FCV (VN)” in this prospectus for further details.
- Pursuant to a tenancy agreement dated 1 June 2015, a portion of the building, representing approximately 13,239.7 sq. ft., was leased to TNV (VN), our joint venture, as factory and warehouse for a term of three years expiring on 31 May 2018 while the remaining portion of the building is occupied by FVSC (VN).

## BUSINESS

- As at the Latest Practicable Date, only a portion of this piece of land, amounting to 119,490.9 sq.ft., is erected with a factory and office which is used by PEWAV (VN). The remaining portion, amounting to 161,264.2 sq.ft. is currently vacant. Going forward, we are contemplating to build a new factory over a vacant site area of approximately 50,600.0 sq.ft. within the said land to expand our production base. See “Our Business Strategies” in this section for further details.

### Leased land use rights in Vietnam

As at the Latest Practicable Date, we leased certain land use rights with an aggregate land area of 431,302.7 sq.ft. in Vietnam. The below table sets out the details of our leased land use rights as at the Latest Practicable Date:

| Location                                                                                                        | Tenant        | Landlord                | Subject of lease | Description/Usage        | Approximate land area<br>(sq.ft.) | Term of the lease | Lease expiry date |
|-----------------------------------------------------------------------------------------------------------------|---------------|-------------------------|------------------|--------------------------|-----------------------------------|-------------------|-------------------|
| No. 18 Street No. 3A<br>Bien Hoa 2 Industrial Zone<br>Long Binh Tan Ward<br>Bien Hoa City<br>Dong Nai Province  | FVSC<br>(VN)  | Independent Third Party | Land use right   | Construction<br>(Note 2) | 150,545.3                         | 47 years          | 16 January 2044   |
| Street No. 8<br>Nhon Trach 1 Industrial Park<br>Phuoc Thien Commune<br>Nhon Trach District<br>Dong Nai Province | PEWAV<br>(VN) | Independent Third Party | Land use right   | Industrial               | 280,757.4                         | 46 years          | 22 January 2048   |

#### Notes:

- The table above excludes the land use rights leased by FCV (VN) from an Independent Third Party located at Street No. 2, Nhon Trach 1 Industrial Park, Phuoc Thien Commune, Nhon Trach District, Dong Nai Province with a gross floor area of 242,437.6 sq.ft. FCV (VN) ceased to be our subsidiary and became our associate on 14 September 2017. See “History, Reorganisation and Corporate Structure — Significant Shareholding Changes in Members of our Group during the Track Record Period and up to the Latest Practicable Date — FCV (VN)” in this prospectus for further details.
- Factory is one of the permitted usages under construction.

Greater China Appraisal Limited, an independent property valuation firm, had assessed our property interests in Malaysia and Vietnam as of 31 July 2017. The text of Greater China Appraisal Limited’s letter, the summary of values and the valuation certificate are set out in Appendix III to this prospectus. As advised by our Malaysian Legal Advisers and Vietnamese Legal Advisers, we had obtained all land use right certificates and/or building ownership certificates in respect of properties owned by us as referred to in “Group I — Real property interests held and occupied by the Group in Malaysia” and “Group II — Real property interests held and occupied by the Group in Vietnam” of the property valuation report as set out in Appendix III to this prospectus.

## **LEGAL PROCEEDINGS**

To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, none of the members of our Group was engaged in any litigation, arbitration or claim of material importance, and our Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance against our Group which, in the opinion of our Directors, would have a material adverse effect on our financial condition or results of operations.

## **LEGAL COMPLIANCE**

Our Directors confirm that, save and except for certain other systemic non-compliance incidents disclosed in this prospectus below, (i) we had not been involved in any incidents which, as considered by our Directors, is either a material impact non-compliance or systemic non-compliance in accordance with the interpretation of the Stock Exchange's Guidance Letter HKEx-GL63-13; and (ii) none of the members of our Group had been subject to any legal or regulatory proceedings brought under, or received any written complaints or warnings in relation to, any of the laws or regulations applicable to our Group's business as summarised in "Regulatory Overview" in this prospectus during the Track Record Period and up to the Latest Practicable Date.

## Non-compliance

During the Track Record Period and up to the Latest Practicable Date, we had failed to comply with certain laws and regulations in Malaysia and Vietnam, details of which are summarised below:

| Nature of non-compliance                                                                 | Requirements under applicable laws and regulations in Malaysia/Vietnam                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Reasons and extent of non-compliance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Non-compliance with the permitted maximum overtime working hours in Malaysia and Vietnam | <p>Working overtime beyond the maximum overtime working hours (as stipulated in the relevant laws and regulations) by our production workers in Malaysia and Vietnam are not permitted under the laws of Malaysia and Vietnam, respectively, unless with the prior approval of the relevant government authority.</p> <p><b>Malaysia:</b><br/>The maximum overtime working hours of an employee are 104 hours in a month unless prior approval to work beyond such maximum overtime working hours is obtained from the Director General of the Department of Labour (“DG (MY)”) by the employer<br/>(<i>section 2 of the Employment (Limitation of Overtime Work) Regulations 1980 and section 60A(4)(a) of the Employment Act 1955</i>).</p> <p><b>Vietnam:</b><br/>The maximum overtime working hours of an employee shall not exceed 50% of the normal working time per day (i.e. four hours per day), 30 hours per month and 200 hours per year (or 300 hours per year subject to the approval of the Dong Nai Industrial Zone Authority of the Vietnamese government)<br/>(<i>Labour Code No. 10/2012/QH13</i>).</p> | <p>During the Track Record Period, due to the shortage of production workers at times, in particular, during long vacations and public holidays; and seasonal surge in demand for our products:</p> <ul style="list-style-type: none"> <li>— <b>Malaysia:</b> our production workers in Malaysia had been working beyond the maximum overtime working hours without us obtaining the prior approval of the DG (MY) for six months during the Track Record Period with November 2016 being the month of the last incident of such non-compliance; and</li> <li>— <b>Vietnam:</b> our production workers in Vietnam had been working beyond the maximum overtime working hours during the Track Record Period with December 2016 being the month of the last incident of such non-compliance.</li> </ul> |

**Possible legal implication or consequence**

As advised by our **Malaysian** Legal Advisers:

- under section 60A(4)(a) of the Employment Act 1955, the maximum penalty that may be imposed is RM10,000 (equivalent to HK\$18,400) for each month in which our production workers were working beyond the maximum overtime working hours (as stipulated in the relevant laws and regulations). As we were in non-compliance for six months during the Track Record Period, the maximum aggregate penalty that may be imposed on us is RM60,000 (equivalent to HK\$110,000);
- no complaints had ever been lodged by our production workers with the DG (MY) and any possible claims against us by our production workers regarding such non-compliance are time-barred after January 2017;
- our production workers in Malaysia had been duly paid for their overtime work;
- our Group has no record of being fined for such non-compliance;
- there was no incident of any manufacturers seeking such prior approval from the DG (MY) and being fined for such non-compliance; and
- there is almost no risk of our Group being imposed with any penalty for such non-compliance.

As advised by our **Vietnamese** Legal Advisers:

- the maximum penalty as may be imposed on us is VND100 million (equivalent to HK\$34,000). The operation of the entity which is in breach may be suspended by order of the Department of Labour, Invalids and Social Affairs (“**LIS (VN)**”) from one to three months;
- the LIS (VN) of Dong Nai has confirmed that they would not take any action to order a suspension against us unless there are complaints made against us and we fail to pay any fines as may be imposed on us after being warned by the LIS (VN) to rectify such non-compliance;
- our Group is not aware of any complaint being made to the authorities and has not received any warning from the authorities;
- our production workers in Vietnam had been duly paid for their overtime work;
- our Group has no record of being fined or imposed with suspension order for such non-compliance;
- there was no incident of any manufacturers seeking such prior approval from LIS(VN) and being penalised or fined for such non-compliance; and
- the risk of our Group being imposed with any penalty or suspension order for such non-compliance is remote.

### **View of our Directors and the Sole Sponsor**

Our Directors are of the view that, and the Sole Sponsor concurs:

- (1) given the insignificant amount of the maximum aggregate penalties that may be imposed on us and/or (as the case may be) the unlikelihood of a suspension order being made against us, no provision is required to be made to our financial statements in respect of these immaterial non-compliance incidents and the above incidents did not and will not have any material adverse effect on our business, results of operation and financial position;
- (2) our internal controls currently in place to prevent recurrence of similar non-compliance are adequate and effective; and
- (3) our Directors are suitable to act as directors of our Company under Rules 5.01 and 5.02 of the GEM Listing Rules and we and our businesses are both suitable for listing under Rule 11.06 of the GEM Listing Rules as the non-compliance incidents:
  - do not involve any element of dishonesty on the part of our Directors;
  - do not involve deliberate intent on the part of our Directors or our Company not to comply with the maximum overtime working hours under the relevant laws and regulations of Malaysia and Vietnam; and
  - neither cast doubt on the integrity or competence of our Directors nor affect their suitability to act as our directors under Rules 5.01 and 5.02 of the GEM Listing Rules.

### **INTERNAL CONTROL AND RISK MANAGEMENT**

We believe that effective risk management and internal control are critical to our success. Our Board is responsible for establishing our internal control system and reviewing its effectiveness. In accordance with the applicable laws and regulations, we have established an internal control system, covering areas such as corporate governance, risk management, operations, management, legal matters, finance and audit. We believe that our internal control system is sufficient in terms of comprehensiveness, practicability and effectiveness.

In preparation for the Listing, we engaged an internal control consultant to conduct an evaluation of our internal control system for various operation and management functions, including but not limited to, sales and procurement, inventory management, production planning and monitoring, treasury management, tax reporting and payment, financial recording and reporting, human resources and information technology systems. No material weaknesses were identified in the evaluation. Nevertheless, the internal control consultant recommended a number of measures to improve our various internal control systems. These recommendations included, among other measures, closely monitor sales transactions towards end of quarter for revenue recognition purpose, closely monitor overtime hours to ensure due compliance with regulatory requirements and formalise information technology disaster recovery plan. Our Directors confirmed that the measures recommended by the internal control consultant have been duly implemented.

The internal control consultant also performed a follow-up review on the status of our actions to address the findings in the forgoing evaluation and did not identify any material weakness or raise any further recommendation in the review.



## BUSINESS

To strengthen our internal control and ensure future compliance with the applicable laws and regulations (including the GEM Listing Rules) after the Listing, we have adopted the following additional internal control measures:

- our Board will continuously monitor, evaluate and review our internal control system to ensure compliance with the applicable legal and regulatory requirements and will adjust, refine and enhance our internal control system as appropriate;
- Mr. Tan Chuan Dyi, our chief operating officer and executive Director, will be responsible for overseeing our internal control system in general and will act as the chief coordinator of matters relating to legal, regulatory and financial reporting compliance. Upon receipt of any query or report relating to legal, regulatory and financial reporting compliance, Mr. Tan Chuan Dyi will look into the matter and, if considered necessary or appropriate, seek advice, guidance or recommendation from professional advisers and report to our Board. For further information about the qualifications and experience of Mr. Tan Chuan Dyi, see “Directors and Senior Management” in this prospectus;
- we have appointed Shenwan Hongyuan Capital (H.K.) Limited as our compliance adviser upon Listing to advise our Group on matters relating to compliance with the GEM Listing Rules;
- if necessary, we may consider arranging our Directors, members of senior management and relevant employees to attend trainings on the legal and regulatory requirements applicable to our business operations from time to time; and
- if necessary, we may consider appointing external Hong Kong legal advisers to advise us on matters relating to compliance with the GEM Listing Rules and the applicable Hong Kong laws and regulations.

## DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

Our Board consists of seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors.

The following table sets forth the brief particulars of our Directors:

| Name                    | Age | Title                                              | Date of Appointment | Date of joining our Group | Relationship among Directors | Major roles and responsibilities                                                              |
|-------------------------|-----|----------------------------------------------------|---------------------|---------------------------|------------------------------|-----------------------------------------------------------------------------------------------|
| Dato' Lim Heen Peok     | 69  | our chairman and non-executive Director            | 26 April 2017       | November 2004<br>(Note 1) | None                         | Giving guidance on the long term strategic planning of our Group                              |
| Mr. Cheah Eng Chuan     | 70  | our chief executive officer and executive Director | 3 March 2017        | October 1987              | None                         | Overseeing strategic planning, business development and operational management of our Group   |
| Mr. Tan Chuan Dyi       | 46  | our chief operating officer and executive Director | 3 March 2017        | January 2014              | None                         | Implementing strategic planning, business development and operational management of our Group |
| Dato' Lua Choon Hann    | 40  | our executive Director                             | 26 April 2017       | November 2013<br>(Note 2) | None                         | Overseeing strategic planning and business development of our Group                           |
| Mr. Ho Ming Hon         | 41  | our independent non-executive Director             | 20 September 2017   | 20 September 2017         | None                         | Overseeing management independently                                                           |
| Dato' Dr. Hou Kok Chung | 54  | our independent non-executive Director             | 20 September 2017   | 20 September 2017         | None                         | Overseeing management independently                                                           |
| Dato' Sri Wee Jeck Seng | 53  | our independent non-executive Director             | 20 September 2017   | 20 September 2017         | None                         | Overseeing management independently                                                           |

*Notes:*

- (1) This is the date when he was appointed as an independent non-executive chairman of PRG Holdings.
- (2) This is the date when he was appointed as an executive director of PRG Holdings.

## DIRECTORS AND SENIOR MANAGEMENT

### OUR CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Dato' Lim Heen Peek (“**Dato' Lim**”), aged 69, is our chairman and non-executive Director. The biography of Dato' Lim is summarised as follows:

- Date of joining our Group** : • November 2004 (as an independent non-executive chairman of PRG Holdings)
- Roles and responsibilities within our Group** : • Giving guidance on the long term strategic planning of our Group
- Positions held in our other Group members** : • None
- Directorship in public companies** : • An independent non-executive chairman of PRG Holdings, our Controlling Shareholder, from 25 November 2004 to 20 September 2017
- Experience** : • Almost 30 years of experience in the automotive industry with rich experience in production, distribution and retail
- Assumed offices, among others, in the following entities:
- | Period of time              | Position                                              | Name of entity                                                                  |
|-----------------------------|-------------------------------------------------------|---------------------------------------------------------------------------------|
| February 1988 to April 1999 | director                                              | Otomobil Sejahtera Sdn. Bhd.                                                    |
| February 1988 to June 2004  | director                                              | KYB-UMW Malaysia Sdn. Bhd.                                                      |
| February 1998 to June 2004  | director                                              | UMW Toyota Motor Sdn. Bhd.                                                      |
| February 1988 to June 2004  | director                                              | Seat Industries (Malaysia) Sdn. Bhd.                                            |
| February 1988 to June 2004  | director                                              | Assembly Services Sdn. Bhd.                                                     |
| February 1988 to June 2004  | director (appointed as the chairman in March 2004)    | Automotive Industries Sdn. Bhd.                                                 |
| June 1990 to June 2004      | director (appointed as the chairman in November 1990) | JTEKT Automotive (Malaysia) Sdn. Bhd. (formerly known as T&K Autoparts Sdn Bhd) |
| January 2002 to June 2004   | director                                              | Toyota Capital Malaysia Sdn. Bhd.                                               |
| September 2003 to June 2004 | director (appointed as the chairman in November 2003) | Toyota Boshoku UMW Sdn. Bhd.                                                    |
| July 2005 to December 2008  | independent non-executive director                    | Alliance Bank Malaysia Berhad                                                   |
| September 2006 to July 2012 | director                                              | PROTON Holdings Berhad                                                          |
| Since March 2016            | director                                              | Liberty Insurance Berhad                                                        |
- Other qualifications and major appointments** : • Obtained Bachelor of Science in Mechanical Engineering from University of Strathclyde, the United Kingdom in June 1975
- Vice president of the Malaysian Automotive Association from January 2000 to March 2003
- Appointed as the governor of The Japanese Chamber of Trade & Industry Malaysia Foundation in 2015

## DIRECTORS AND SENIOR MANAGEMENT

### OUR CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR

Mr. Cheah Eng Chuan (“**Mr. Cheah**”), aged 70, is our chief executive officer and executive Director. The below table summarises the biography of Mr. Cheah:

| Date of joining our Group                            | :                | October 1987                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |          |                  |          |           |          |           |          |           |          |            |          |            |                                                     |           |                                                      |            |          |            |          |      |
|------------------------------------------------------|------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|------------------|----------|-----------|----------|-----------|----------|-----------|----------|------------|----------|------------|-----------------------------------------------------|-----------|------------------------------------------------------|------------|----------|------------|----------|------|
| Roles and responsibilities within our Group          | :                | <ul style="list-style-type: none"><li>• Overseeing strategic planning, business development and operational management of our Group</li><li>• Overseeing the compliance of the internal policies and legal requirements within our Group</li><li>• Leading and maintaining the management team and overseeing future succession planning</li><li>• Appointed as a member of the nomination committee of our Board on 20 September 2017</li></ul>                                                                                                                   |          |                  |          |           |          |           |          |           |          |            |          |            |                                                     |           |                                                      |            |          |            |          |      |
| Positions held in our other Group members            | :                | <table><tr><th>Position</th><th>Our Group member</th></tr><tr><td>director</td><td>WTSB (MY)</td></tr><tr><td>director</td><td>FMSB (MY)</td></tr><tr><td>director</td><td>TMSB (MY)</td></tr><tr><td>director</td><td>SSKSB (MY)</td></tr><tr><td>director</td><td>FSWSB (MY)</td></tr><tr><td>chairman of board of management<sup>(Note 1)</sup></td><td>FVSC (VN)</td></tr><tr><td>chairman of the members’ council<sup>(Note 2)</sup></td><td>PEWAV (VN)</td></tr><tr><td>director</td><td>TSMSB (MY)</td></tr><tr><td>director</td><td>FIPB</td></tr></table> | Position | Our Group member | director | WTSB (MY) | director | FMSB (MY) | director | TMSB (MY) | director | SSKSB (MY) | director | FSWSB (MY) | chairman of board of management <sup>(Note 1)</sup> | FVSC (VN) | chairman of the members’ council <sup>(Note 2)</sup> | PEWAV (VN) | director | TSMSB (MY) | director | FIPB |
| Position                                             | Our Group member |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |          |                  |          |           |          |           |          |           |          |            |          |            |                                                     |           |                                                      |            |          |            |          |      |
| director                                             | WTSB (MY)        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |          |                  |          |           |          |           |          |           |          |            |          |            |                                                     |           |                                                      |            |          |            |          |      |
| director                                             | FMSB (MY)        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |          |                  |          |           |          |           |          |           |          |            |          |            |                                                     |           |                                                      |            |          |            |          |      |
| director                                             | TMSB (MY)        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |          |                  |          |           |          |           |          |           |          |            |          |            |                                                     |           |                                                      |            |          |            |          |      |
| director                                             | SSKSB (MY)       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |          |                  |          |           |          |           |          |           |          |            |          |            |                                                     |           |                                                      |            |          |            |          |      |
| director                                             | FSWSB (MY)       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |          |                  |          |           |          |           |          |           |          |            |          |            |                                                     |           |                                                      |            |          |            |          |      |
| chairman of board of management <sup>(Note 1)</sup>  | FVSC (VN)        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |          |                  |          |           |          |           |          |           |          |            |          |            |                                                     |           |                                                      |            |          |            |          |      |
| chairman of the members’ council <sup>(Note 2)</sup> | PEWAV (VN)       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |          |                  |          |           |          |           |          |           |          |            |          |            |                                                     |           |                                                      |            |          |            |          |      |
| director                                             | TSMSB (MY)       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |          |                  |          |           |          |           |          |           |          |            |          |            |                                                     |           |                                                      |            |          |            |          |      |
| director                                             | FIPB             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |          |                  |          |           |          |           |          |           |          |            |          |            |                                                     |           |                                                      |            |          |            |          |      |
| Directorship in public companies                     | :                | <ul style="list-style-type: none"><li>• A managing director of PRG Holdings, our Controlling Shareholder, from 21 July 2003 and was re-designated as the managing director of the manufacturing division of PRG Holdings on 11 April 2016. He resigned from such directorship on 20 September 2017</li></ul>                                                                                                                                                                                                                                                       |          |                  |          |           |          |           |          |           |          |            |          |            |                                                     |           |                                                      |            |          |            |          |      |
| Experience                                           | :                | <ul style="list-style-type: none"><li>• Almost 30 years of experience in the rubber threads and furniture webbing industries, in particular in the field of sales and marketing and management</li><li>• Founder member of FMSB (MY), WTSB (MY) and TMSB (MY)</li><li>• Being in charge of all aspects of the operations in our Group, from developing growth policies for our Group to managing the day-to-day operations of our subsidiaries in Malaysia and Vietnam</li><li>• Attended secondary school education in Malaysia</li></ul>                         |          |                  |          |           |          |           |          |           |          |            |          |            |                                                     |           |                                                      |            |          |            |          |      |
| Other qualifications and major appointments          | :                | <ul style="list-style-type: none"><li>• Appointed as the vice president of Malaysian Textile Manufacturers Association in 2011</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                           |          |                  |          |           |          |           |          |           |          |            |          |            |                                                     |           |                                                      |            |          |            |          |      |

## DIRECTORS AND SENIOR MANAGEMENT

*Notes:*

- (1) According to our Vietnamese Legal Advisers, such a position has the same role and responsibilities of a director of a limited company incorporated in Hong Kong.
- (2) According to our Vietnamese Legal Advisers, such a position has the same role and responsibilities of a director of a limited company incorporated in Hong Kong in addition to other roles and responsibilities assigned to it under the laws of Vietnam.

### OUR CHIEF OPERATING OFFICER AND EXECUTIVE DIRECTOR

Mr. Tan Chuan Dyi (“**Mr. Tan**”), aged 46, is our chief operating officer and executive Director. The biography of Mr. Tan is summarised as follows:

| <b>Date of joining our Group</b>                   | :                       | January 2014                                                                                                                                                                                                                                                                                                                                                                                                                                |                 |                         |          |           |          |            |          |            |          |           |          |           |          |      |                                                    |            |
|----------------------------------------------------|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------------------|----------|-----------|----------|------------|----------|------------|----------|-----------|----------|-----------|----------|------|----------------------------------------------------|------------|
| <b>Roles and responsibilities within our Group</b> | :                       | <ul style="list-style-type: none"><li>● Implementing strategic planning, business development and operational management of our Group</li><li>● Setting comprehensive goals for performance and growth of our Group</li><li>● Appointed as a member of the risk management committee of our Board on 20 September 2017</li></ul>                                                                                                            |                 |                         |          |           |          |            |          |            |          |           |          |           |          |      |                                                    |            |
| <b>Positions held in our other Group members</b>   | :                       | <table><tr><th><b>Position</b></th><th><b>Our Group member</b></th></tr><tr><td>director</td><td>FMSB (MY)</td></tr><tr><td>director</td><td>FSWSB (MY)</td></tr><tr><td>director</td><td>TSMSB (MY)</td></tr><tr><td>director</td><td>TMSB (MY)</td></tr><tr><td>director</td><td>WTSB (MY)</td></tr><tr><td>director</td><td>FIPB</td></tr><tr><td>a member of the members’ council<sup>(Note)</sup></td><td>PEWAV (VN)</td></tr></table> | <b>Position</b> | <b>Our Group member</b> | director | FMSB (MY) | director | FSWSB (MY) | director | TSMSB (MY) | director | TMSB (MY) | director | WTSB (MY) | director | FIPB | a member of the members’ council <sup>(Note)</sup> | PEWAV (VN) |
| <b>Position</b>                                    | <b>Our Group member</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                             |                 |                         |          |           |          |            |          |            |          |           |          |           |          |      |                                                    |            |
| director                                           | FMSB (MY)               |                                                                                                                                                                                                                                                                                                                                                                                                                                             |                 |                         |          |           |          |            |          |            |          |           |          |           |          |      |                                                    |            |
| director                                           | FSWSB (MY)              |                                                                                                                                                                                                                                                                                                                                                                                                                                             |                 |                         |          |           |          |            |          |            |          |           |          |           |          |      |                                                    |            |
| director                                           | TSMSB (MY)              |                                                                                                                                                                                                                                                                                                                                                                                                                                             |                 |                         |          |           |          |            |          |            |          |           |          |           |          |      |                                                    |            |
| director                                           | TMSB (MY)               |                                                                                                                                                                                                                                                                                                                                                                                                                                             |                 |                         |          |           |          |            |          |            |          |           |          |           |          |      |                                                    |            |
| director                                           | WTSB (MY)               |                                                                                                                                                                                                                                                                                                                                                                                                                                             |                 |                         |          |           |          |            |          |            |          |           |          |           |          |      |                                                    |            |
| director                                           | FIPB                    |                                                                                                                                                                                                                                                                                                                                                                                                                                             |                 |                         |          |           |          |            |          |            |          |           |          |           |          |      |                                                    |            |
| a member of the members’ council <sup>(Note)</sup> | PEWAV (VN)              |                                                                                                                                                                                                                                                                                                                                                                                                                                             |                 |                         |          |           |          |            |          |            |          |           |          |           |          |      |                                                    |            |
| <b>Directorship in public companies</b>            | :                       | An independent non-executive director of Naim Holdings Berhad, a company whose shares are listed on Bursa Malaysia                                                                                                                                                                                                                                                                                                                          |                 |                         |          |           |          |            |          |            |          |           |          |           |          |      |                                                    |            |
| <b>Experience</b>                                  | :                       | <ul style="list-style-type: none"><li>● More than 20 years of experience in the financial services industry, particularly in the areas of fund management, institutional broking, investment banking and capital markets</li></ul>                                                                                                                                                                                                          |                 |                         |          |           |          |            |          |            |          |           |          |           |          |      |                                                    |            |

## DIRECTORS AND SENIOR MANAGEMENT

- Prior to joining PRG Holdings, Mr. Tan served as a portfolio management officer at AMMB Asset Management Sdn. Bhd. from January 1995 to June 2000 where he provided analysis on securities and portfolio management. Later, he took up the role as a senior vice-president at Institutional Sales Department of Affin-UOB Securities Sdn. Bhd. from July 2000 to February 2006. In February 2006, he joined another securities firm, CIMB Securities Sdn. Bhd., also as the senior vice-president of its Institutional Sales Department until December 2006. In these two securities firms, he was involved in equity sales and placements in both domestic and international placements. Subsequently, he joined RHB Investment Bank Bhd. from January 2007 to June 2011 as the Head of Equity Capital Market Department. He was a director, Head of Equity Syndication of Group Investment Banking, Kenanga Investment Bank Bhd. from September 2011 to December 2013. During his employment with both banks, he was involved in researching, marketing and placement of equity and equity linked products

**Other qualifications and major appointments** : • Obtained Bachelor of Science in Business Administration (Major in Finance) from The California State University, Fresno in the United States in May 1993

*Note:*

As advised by our Vietnamese Legal Advisers, such a position has the same role and responsibilities of a director of a limited company incorporated in Hong Kong in addition to other roles and responsibilities assigned to it under the laws of Vietnam.

### OTHER EXECUTIVE DIRECTOR

Dato' Lua Choon Hann (“**Dato' Lua**”), aged 40, is our executive Director. The biography of Dato' Lua is summarised as follows:

|                                                    |                         |                                                                                                                                                                                                                                                                                                                                                                                |                 |                         |          |           |
|----------------------------------------------------|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------------------|----------|-----------|
| <b>Date of joining our Group</b>                   | :                       | November 2013 (as an executive director of PRG Holdings)                                                                                                                                                                                                                                                                                                                       |                 |                         |          |           |
| <b>Roles and responsibilities within our Group</b> | :                       | <ul style="list-style-type: none"> <li>• Overseeing strategic planning and business development of our Group</li> <li>• Appointed as a member of the remuneration committee of our Board on 20 September 2017</li> </ul>                                                                                                                                                       |                 |                         |          |           |
| <b>Positions held in our other Group members</b>   | :                       | <table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"><b>Position</b></td> <td style="width: 50%; vertical-align: top;"><b>Our Group member</b></td> </tr> <tr> <td style="vertical-align: top;">director</td> <td style="vertical-align: top;">FMSB (MY)</td> </tr> </table>                                                              | <b>Position</b> | <b>Our Group member</b> | director | FMSB (MY) |
| <b>Position</b>                                    | <b>Our Group member</b> |                                                                                                                                                                                                                                                                                                                                                                                |                 |                         |          |           |
| director                                           | FMSB (MY)               |                                                                                                                                                                                                                                                                                                                                                                                |                 |                         |          |           |
| <b>Directorship in public companies</b>            | :                       | <ul style="list-style-type: none"> <li>• An independent non-executive director of Pelikan International Corporation Bhd., a company whose shares are listed on Bursa Malaysia from April 2013</li> <li>• An executive director of PRG Holdings, our Controlling Shareholder, from 1 November 2013, and was redesignated as group managing director on 11 April 2016</li> </ul> |                 |                         |          |           |
| <b>Experience</b>                                  | :                       | <ul style="list-style-type: none"> <li>• Started his professional career in legal practice as an assistant public prosecutor with the Attorney General's Chambers in Singapore during June 2001 to June 2002</li> </ul>                                                                                                                                                        |                 |                         |          |           |

## DIRECTORS AND SENIOR MANAGEMENT

- |                                                    |   |                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------------------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                    | : | <ul style="list-style-type: none"> <li>• Was a director of WG Capital Pte. Ltd., a Singaporean private equity firm that provided business management and consultancy services, from July 2005 to December 2011. He was also appointed as a director of WG Capital (M) Sdn Bhd, a Malaysian company that provides business consultancy services since July 2009</li> </ul> |
| <b>Other qualifications and major appointments</b> | : | <ul style="list-style-type: none"> <li>• Obtained Bachelor of Law from the University of Cardiff in the United Kingdom in July 1999</li> <li>• Assistant public prosecutor of the Attorney General's Chambers in Singapore from June 2001 to June 2002</li> </ul>                                                                                                         |

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Ming Hon (“**Mr. Ho**”), aged 41, is our independent non-executive Director. The biography of Mr. Ho is summarised as follows:

- |                                                    |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----------------------------------------------------|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Date of joining our Group</b>                   | : | 20 September 2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Roles and responsibilities within out Group</b> | : | <ul style="list-style-type: none"> <li>• Overseeing management independently</li> <li>• Appointed as the chairman of the audit committee and the risk management committee and a member of the audit committee, the remuneration committee and the nomination committee of our Board on 20 September 2017</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Directorship in public companies</b>            | : | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Experience</b>                                  | : | <ul style="list-style-type: none"> <li>• Has over 15 years of experience in auditing and corporate finance</li> <li>• 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</li> <li>• Joined Pelikan International Corporation Bhd. (“<b>Pelikan International</b>”) in November 2007, a company whose shares are listed on Bursa Malaysia 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.</li> </ul> |
| <b>Other qualifications and major appointment</b>  | : | <ul style="list-style-type: none"> <li>• Obtained Bachelor of Accounting from The National University of Malaysia 1998</li> <li>• Certified Public Accountant and a member of The Malaysian Institute of Certified Public Accountants</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

## DIRECTORS AND SENIOR MANAGEMENT

Dato’ Dr. Hou Kok Chung (“**Dato’ Dr. Hou**”), aged 54, is our independent non-executive Director. The biography of Dato’ Dr. Hou is summarised as follows:

- |                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Date of joining our Group</b>                   | : 20 September 2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Roles and responsibilities within our Group</b> | : <ul style="list-style-type: none"> <li>● Overseeing management independently</li> <li>● Appointed as the chairman of the nomination committee and a member of the audit committee, the remuneration committee, the nomination committee and the risk management committee of our Board on 20 September 2017</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Directorship in public companies</b>            | : <ul style="list-style-type: none"> <li>● A non-executive director of Parkson Retail Group Limited, a company listed on the Main Board of the Stock Exchange since 2014</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Experience</b>                                  | : <ul style="list-style-type: none"> <li>● 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 our Group by bringing his insights to us in enhancing our future marketing strategies and positioning in East Asian market</li> </ul> |
| <b>Other qualifications and major appointment</b>  | : <ul style="list-style-type: none"> <li>● Obtained Bachelor and Master of Arts from University of Malaya in August 1987 and August 1990, respectively</li> <li>● Obtained Doctor of Philosophy from the School of Oriental and African Studies, the University of London in January 1998</li> <li>● Member of Parliament and the Deputy Minister of Higher Education Malaysia from 2008 to 2013</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                    |



## DIRECTORS AND SENIOR MANAGEMENT

- Currently, Dato' Dr. Hou assumes offices in, among others, the following institutions/organisations:

| <b>Date of commencement of service</b> | <b>Position at the relevant institution/organisation</b>          |
|----------------------------------------|-------------------------------------------------------------------|
| March 2008                             | Council member of Tunku Abdul Rahman University                   |
| March 2008                             | Council member of Tunku Abdul Rahman University College           |
| December 2013                          | Vice-president of the Malaysian Chinese Association               |
| February 2014                          | Chairman of the Institute of Strategic Analysis & Policy Research |
| June 2014                              | Member of the Senate in the Parliament of Malaysia                |
| November 2014                          | Guest professor at Xiamen University China                        |
| April 2017                             | Chairman of Melaka Port Authority in Malaysia                     |

Dato' Sri Wee Jeck Seng (“**Dato' Sri Wee**”), aged 53, is our independent non-executive Director. The biography of Mr. Wee is summarised as follows:

|                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Date of joining our Group</b>                   | : 20 September 2017                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Roles and responsibilities within our Group</b> | : <ul style="list-style-type: none"> <li>● Overseeing management independently</li> <li>● Appointed as the chairman of the remuneration committee and a member of the audit committee, the remuneration committee, the nomination committee and risk management committee of our Board on 20 September 2017</li> </ul>                                                                                                                                        |
| <b>Directorship in public company</b>              | : None                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Experience</b>                                  | : <ul style="list-style-type: none"> <li>● Active in community affairs and politics</li> <li>● 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</li> <li>● Currently, he is a member of Parliament of Malaysia for Tanjung Piai</li> </ul> |

## DIRECTORS AND SENIOR MANAGEMENT

- Other qualifications and major appointment** :
- Obtained Bachelor of Business Management from the University of Sunderland in the United Kingdom in September 2007
  - Obtained Master of Public Administration (major in public administration) from the Universiti Utara Malaysia in November 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

Save as disclosed above, none of our Directors

- (i) held other positions in our Group as at the Latest Practicable Date;
- (ii) had any other relationships with any Directors, senior management of our Company or substantial shareholders or Controlling Shareholder as at the Practicable Date; and
- (iii) held any other directorship in any other listed companies during the three years period up to the Latest Practicable Date.

Save as disclosed in this prospectus, each of our executive Directors did not have any interests in any business apart from the business of our Group which competes or is likely to compete, either directly or indirectly, with the business of our Group. Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 17.50(2) (h) to (v) of the GEM Listing Rules as at the Latest Practicable Date.

### SENIOR MANAGEMENT

Our Board is assisted and supported by our senior management team, which comprises three members.

The following table sets forth the brief particulars of our senior management:

| Name         | Age | Date of joining our Group | Relationships among senior management | Position                                                                                                                                       | Roles and responsibilities                                                      |
|--------------|-----|---------------------------|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Lee Sim Hak  | 63  | October 1987              | None                                  | director of FMSB (MY), FSWSB (MY), FVSC (VN), PEWAV (VN), SSKSB (MY), TMSB (MY), TSMSB (MY) and WTSB (MY) and production director of our Group | Primarily responsible for overseeing our Group's production operations          |
| Ong Lock Hoo | 66  | November 1987             | None                                  | director of FMSB (MY), FSWSB (MY), FVSC (VN), PEWAV (VN), TMSB (MY), TSMSB (MY) and WTSB (MY) and sales director of our Group                  | Primarily responsible for overseeing our Group's sales and marketing operations |
| Ho Phei Suan | 38  | May 2014                  | None                                  | chief financial officer of our Group                                                                                                           | Primarily responsible for overseeing the financial management of our Group      |

## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT’S BIOGRAPHY

Mr. Lee Sim Hak (“**Mr. Lee**”), aged 63, is our production director. The biography of Mr. Lee is summarised as follows:

| Date of joining of our Group                            | :                | October 1987                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |        |                  |          |           |          |           |          |            |          |            |                                                         |           |          |           |                                                      |            |          |            |
|---------------------------------------------------------|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|------------------|----------|-----------|----------|-----------|----------|------------|----------|------------|---------------------------------------------------------|-----------|----------|-----------|------------------------------------------------------|------------|----------|------------|
| Roles and responsibilities within our Group             | :                | <ul style="list-style-type: none"><li>● Primarily responsible for overseeing our Group’s production operations</li><li>● Hiring, training and developing staff, in particular, coordinating and designing various programs essential to our manufacturing production</li><li>● Establishing procedures to maintain high standards of our manufacturing operations</li></ul>                                                                                                                                                   |        |                  |          |           |          |           |          |            |          |            |                                                         |           |          |           |                                                      |            |          |            |
| Positions held in our other Group members               | :                | <table><tr><th>Office</th><th>Our Group member</th></tr><tr><td>director</td><td>WTSB (MY)</td></tr><tr><td>director</td><td>FMSB (MY)</td></tr><tr><td>director</td><td>SSKSB (MY)</td></tr><tr><td>director</td><td>FSWSB (MY)</td></tr><tr><td>a member of the board of management<sup>(Note 1)</sup></td><td>FVSC (VN)</td></tr><tr><td>director</td><td>TMSB (MY)</td></tr><tr><td>a member of the members’ council<sup>(Note 2)</sup></td><td>PEWAV (VN)</td></tr><tr><td>director</td><td>TSMSB (MY)</td></tr></table> | Office | Our Group member | director | WTSB (MY) | director | FMSB (MY) | director | SSKSB (MY) | director | FSWSB (MY) | a member of the board of management <sup>(Note 1)</sup> | FVSC (VN) | director | TMSB (MY) | a member of the members’ council <sup>(Note 2)</sup> | PEWAV (VN) | director | TSMSB (MY) |
| Office                                                  | Our Group member |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |        |                  |          |           |          |           |          |            |          |            |                                                         |           |          |           |                                                      |            |          |            |
| director                                                | WTSB (MY)        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |        |                  |          |           |          |           |          |            |          |            |                                                         |           |          |           |                                                      |            |          |            |
| director                                                | FMSB (MY)        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |        |                  |          |           |          |           |          |            |          |            |                                                         |           |          |           |                                                      |            |          |            |
| director                                                | SSKSB (MY)       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |        |                  |          |           |          |           |          |            |          |            |                                                         |           |          |           |                                                      |            |          |            |
| director                                                | FSWSB (MY)       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |        |                  |          |           |          |           |          |            |          |            |                                                         |           |          |           |                                                      |            |          |            |
| a member of the board of management <sup>(Note 1)</sup> | FVSC (VN)        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |        |                  |          |           |          |           |          |            |          |            |                                                         |           |          |           |                                                      |            |          |            |
| director                                                | TMSB (MY)        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |        |                  |          |           |          |           |          |            |          |            |                                                         |           |          |           |                                                      |            |          |            |
| a member of the members’ council <sup>(Note 2)</sup>    | PEWAV (VN)       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |        |                  |          |           |          |           |          |            |          |            |                                                         |           |          |           |                                                      |            |          |            |
| director                                                | TSMSB (MY)       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |        |                  |          |           |          |           |          |            |          |            |                                                         |           |          |           |                                                      |            |          |            |
| Directorship in public companies                        | :                | <ul style="list-style-type: none"><li>● Executive director of PRG Holdings, our Controlling Shareholder from 21 July 2003 to 23 June 2016</li></ul>                                                                                                                                                                                                                                                                                                                                                                           |        |                  |          |           |          |           |          |            |          |            |                                                         |           |          |           |                                                      |            |          |            |
| Experience                                              | :                | <ul style="list-style-type: none"><li>● Almost 30 years of experience in the textile and furniture webbing industries</li><li>● Being in charge of the production and operation management of our Group</li></ul>                                                                                                                                                                                                                                                                                                             |        |                  |          |           |          |           |          |            |          |            |                                                         |           |          |           |                                                      |            |          |            |
| Other qualifications and major appointments             | :                | <ul style="list-style-type: none"><li>● Obtained Diploma in Textile Engineering from Feng Chia College of Engineering and Business in Taiwan in September 1976</li></ul>                                                                                                                                                                                                                                                                                                                                                      |        |                  |          |           |          |           |          |            |          |            |                                                         |           |          |           |                                                      |            |          |            |

*Notes:*

- (1) As advised by our Vietnamese Legal Advisers, such a position has the same role and responsibilities of a director of a limited company incorporated in Hong Kong.
- (2) As advised by our Vietnamese Legal Advisers, such a position has the same role and responsibilities of a director of a limited company incorporated in Hong Kong in addition to other roles and responsibilities assigned to it under the laws of Vietnam.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Ong Lock Hoo (“**Mr. Ong**”), aged 66, is our sales director. The biography of Mr. Ong is summarised as follows:

|                                                    |   |                                                                                 |                                                                                                   |
|----------------------------------------------------|---|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| <b>Date of joining of our Group</b>                | : | November 1987                                                                   |                                                                                                   |
| <b>Roles and responsibilities within our Group</b> | : | Primarily responsible for overseeing our Group’s sales and marketing operations |                                                                                                   |
| <b>Positions held in our other Group members</b>   | : | <b>Position</b>                                                                 | <b>Our Group member</b>                                                                           |
|                                                    |   | director                                                                        | WTSB (MY)                                                                                         |
|                                                    |   | director                                                                        | FMSB (MY)                                                                                         |
|                                                    |   | director                                                                        | TMSB (MY)                                                                                         |
|                                                    |   | director                                                                        | FSWSB (MY)                                                                                        |
|                                                    |   | director                                                                        | TSMSB (MY)                                                                                        |
|                                                    |   | a member of the members’ council <sup>(Note 1)</sup>                            | PEWAV (VN)                                                                                        |
|                                                    |   | a member of the board of management <sup>(Note 2)</sup>                         | FVSC (VN)                                                                                         |
| <b>Directorship in public companies</b>            | : | ●                                                                               | Executive director of PRG Holdings, our Controlling Shareholder from 21 July 2003 to 23 June 2016 |
| <b>Experience</b>                                  | : | ●                                                                               | Almost 30 years of experience in the textile and rubber industries                                |
|                                                    |   | ●                                                                               | Being in charge of the sales and marketing operations of our Group                                |
| <b>Other qualifications and major appointments</b> | : | ●                                                                               | Attended secondary school education in Malaysia                                                   |

*Notes:*

- (1) As advised by our Vietnamese Legal Advisers, such a position has the same role and responsibilities of a director of a limited company incorporated in Hong Kong in addition to other roles and responsibilities assigned to it under the laws of Vietnam.
- (2) As advised by our Vietnamese Legal Advisers, such a position has the same role and responsibilities of a director of a limited company incorporated in Hong Kong.

Ms. Ho Phei Suan (“**Ms. Ho**”), aged 38, is our chief financial officer. The biography of Ms. Ho is summarised as follows:

|                                                    |   |                                                                                                                                                                                                                            |
|----------------------------------------------------|---|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Date of joining of our Group</b>                | : | May 2014                                                                                                                                                                                                                   |
| <b>Roles and responsibilities within our Group</b> | : | <ul style="list-style-type: none"> <li>Overseeing the financial management of our Group</li> <li>Primarily responsible for daily accounting, budgeting, financial reporting and financial planning of our Group</li> </ul> |
| <b>Positions held in our other Group members</b>   | : | None                                                                                                                                                                                                                       |

## DIRECTORS AND SENIOR MANAGEMENT

**Directorship in public companies** : None

**Experience** : • Over 15 years of experience in financial management and auditing

• Prior to joining our Group, Ms. Ho worked in Ernst & Young Malaysia from August 2002 to February 2008 with her last position as a manager, and later joined KPMG China from March 2008 to October 2010 with her last position as a manager. In both positions, she was involved in audit and other assurance services to clients. She also worked in Encorp Berhad, a property development company in Malaysia, from April 2012 to April 2014 as a senior manager of their corporate finance department, where she was involved in corporate finance matters of Encorp Berhad including evaluation of projects or companies, performance analysis and financial modelling.

**Other qualifications and major appointments** : • Obtained Bachelor of Accounting from The University of Malaya in September 2002

• Certified Public Accountant and a member of The Malaysian Institute of Certified Public Accountants

### COMPANY SECRETARY

Mr. Kwok Siu Man (郭兆文) (“**Mr. Kwok**”), aged 58, is our company secretary (who was appointed by our Board on 22 March 2017 and so nominated by Boardroom Corporate Services (HK) Limited (“**Boardroom**”) under an engagement letter made between the Company and Boardroom, pursuant to which Boardroom has agreed to provide certain corporate secretarial services to the Company). He is presently an executive director and head, corporate secretarial of Boardroom and a director of Boardroom Share Registrars (HK) Limited. Prior to joining Boardroom, between 1 February 2011 and 14 March 2013, he was the company secretary of a number of companies of the same group listed on GEM and the Main Board of the Stock Exchange, respectively, and a company of a related group listed on Main Board of the Stock Exchange concurrently. He has over 30 years’ extensive legal, corporate secretarial and management experience gained from working at company secretary and other senior positions for companies overseas and in Hong Kong (including the Hang Seng Index Constituent and Hang Seng Mid-Cap 50 stock companies). He was the managing director of a financial printer in Hong Kong with international affiliation, a director of a property management company for residential properties and an independent non-executive director (the “**INED**”) of a company listed on the Main Board of the Stock Exchange from February 2015 to February 2016. In addition, he has been a director of a charity fund since its incorporation in May 1992 and is an INED of a company listed on GEM of the Stock Exchange.

Mr. Kwok 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 “**HKICS**”), The Association of Hong Kong Accountants and The Hong Kong Institute of Directors and a member of the Hong Kong Securities and Investment Institute. He also possesses professional qualifications in arbitration, taxation, financial

## DIRECTORS AND SENIOR MANAGEMENT

planning and human resources management. In addition, he matriculated from Queen's College, Hong Kong, holds a bachelor's degree of arts (with honours) and a post-graduate diploma in laws and has passed the Common Professional Examinations in England and Wales. In 1999, he received induction into the International WHO's WHO of Professionals, an international organisation which establishes a network of international elite professionals. He was one of the adjudicators for the "Best Annual Reports Awards" organised by the Hong Kong Management Association in the early 1990's and the late 2000's.

Having been the reviewer and the chief examiner of the "Hong Kong Company Secretarial Practice/Corporate Secretaryship" of the international qualifying examinations of the HKICS and participated in the review of the Hong Kong law variant modules thereof for about a decade, Mr. Kwok holds the record of being the HKICS's longest-serving council member and director (i.e. for 18 years). Further, he was a member of the Board of Review appointed by the Hong Kong government under the Inland Revenue Ordinance and has been acting as an external examiner/adviser/member of the validation panel of corporate management courses organised by recognised academic and vocational institutions for tertiary education in Hong Kong since the mid-1990's. Currently, Mr. Kwok also serves as the company secretary and a joint company secretary of 15 other companies listed on GEM and/or the Main Board of the Stock Exchange.

Given that Mr. Kwok is supported by a pool of professional corporate secretarial staff with such academic and professional qualifications and/or relevant experience required in providing the corporate secretarial services to our Company, our Directors are of the view (and the Sole Sponsor concurs) that Mr. Kwok has sufficient time and capacity to fulfill his duties as the company secretary of our Company.

### COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company will appoint Shenwan Hongyuan Capital (H.K.) Limited as our Group's compliance adviser, who will have access to our Company's authorised representatives, executive Directors and other officers at all reasonable times. The compliance adviser will advise our Company on on-going compliance requirements and other issues under the GEM Listing Rules and other applicable laws and regulations in Hong Kong after the Share Offer. The material terms of the compliance adviser's agreement to be entered into between our Company and the compliance adviser are as follows:

- (i) the compliance adviser's appointment is for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date (the "**Term**");
- (ii) the compliance adviser shall provide our Company with guidance and advice as to compliance with the requirements under the GEM Listing Rules and applicable laws, rules, codes and guidelines in Hong Kong;
- (iii) our Company will indemnify the compliance adviser against all claims, actions, demands, liabilities, proceedings and judgment brought or established against, and all costs, charges and expenses suffered or incurred by the compliance adviser arising from or in connection with such appointment and/or the resignation or termination in relation thereto, unless such losses, liabilities, costs, claims, charges, actions, proceedings, damages, expenses and demands are determined by a final court of jurisdiction to have arisen solely as a result of wilful default or gross negligence on the part of the compliance adviser; and

## **DIRECTORS AND SENIOR MANAGEMENT**

- (iv) either our Company or Shenwan Hongyuan Capital (H.K.) Limited may terminate the said appointment prior to expiry of the Term in accordance with its terms and conditions.

Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will provide advice to us when consulted by us in any of the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share buy-backs;
- (iii) if we propose to use the net proceeds of the Share Offer in a manner different from that detailed in this prospectus or when our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; or
- (iv) if the Stock Exchange makes an inquiry to us regarding unusual movements in the price or trading volume of our Shares, the possible development of a false market in our securities, or any other matters, under Rule 17.11 of the GEM Listing Rules.

### **AUDIT COMMITTEE**

We have established an audit committee on 20 September 2017 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to assist our Board in providing an oversight of the financial reporting and disclosure processes, internal control and risk management systems of our Company, and to oversee the audit process.

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

### **NOMINATION COMMITTEE**

We have established a nomination committee on 20 September 2017 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the nomination committee are to review the structure, size and composition of our Board, assess the independence of the independent non-executive Directors and to make recommendations to our Board on the appointment and removal of Directors.

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

### **REMUNERATION COMMITTEE**

We have established a remuneration committee on 20 September 2017 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the remuneration committee are to review the terms of the remuneration package of our Directors and members of our senior management to make recommendations to our Board on our Company's policy and structure for all remuneration of Directors and our senior management.

## **DIRECTORS AND SENIOR MANAGEMENT**

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

### **CORPORATE GOVERNANCE FUNCTIONS**

Our Board is responsible for developing and maintaining the effectiveness of our Group's system of corporate governance and will perform and review in a timely manner the corporate governance functions as required under the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules. The terms of reference for performing the corporate governance functions in compliance with the Corporate Governance Code were approved by our Board for adoption on 20 September 2017.

### **BOARD SUCCESSION PLAN**

The primary purpose of the succession plan of our Board is to ensure our Group's effective performance through leadership continuity and the orderly identification and selection of key leader or director when a vacancy, whether anticipated or unanticipated, exists.

The succession planning will be reviewed and conducted on a continuous basis on the recommendation of and by the nomination committee. The process will primarily include:

- identify high aspiration and potential individual(s) (whether within or outside our Group) who has/have the personality, competency, leadership skills and passion to serve our Company and its shareholders through board service;
- define the experience and skills needed to effectively fulfil the role;
- develop and mentor each potential member, as appropriate, toward his/her pursuit of excellence, and create a development plan for, and perform development activities with, each potential member to prepare him or her for our directorship/leadership position; and
- evaluate succession planning efforts, report the findings and make recommendation to our Board from time to time.

### **DIRECTORS' AND SENIOR MANAGEMENT REMUNERATION**

The aggregate remuneration (including fees, salaries and other benefits, contributions to pension schemes, and discretionary bonuses) paid to our Directors were approximately RM2.0 million, RM2.1 million and RM0.5 million in FY2015, FY2016 and 1Q2017, respectively. Under the arrangements currently in force, our Directors estimate the aggregate remuneration (excluding contributions to pension schemes, and discretionary bonuses) and benefits in kind of our Directors for the year ending 31 December 2017 to be approximately RM1.6 million.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind (including contribution to the pension scheme in their capacities as our Group's employees), discretionary bonuses relating to the performance of our Group and/or other allowances. Our Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to the Company's operations.



## **DIRECTORS AND SENIOR MANAGEMENT**

The remuneration policies of our Group is and will be formulated by our Board on the recommendation of the remuneration committee of our Board (comprising all the independent non-executive Directors and one executive Director). During the Track Record Period, the remuneration of our Directors and our senior management was determined with reference to their respective experience, responsibilities with our Group and general market conditions. The discretionary bonus (if any) is linked to the performance of our Group and of individual Director or senior management. Our Company intends to continue its remuneration policies after the Listing, subject to the review by and the recommendation of the remuneration committee of our Board.

No remuneration was paid by our Group to the Director or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office during the Track Record Period. Further, none of our Directors had waived any remuneration during the same period.

### **REMUNERATION AND RETIREMENT BENEFIT SCHEMES**

The remuneration packages of the employees include salaries, bonuses and allowances. In general, our Group determines employee salaries based on their qualification, position and seniority. Our Group has an annual review system to assess the performance of our employees, which forms the basis of determination on any pay rise, bonus and promotion.

All the employees of our Group in Malaysia and Vietnam have joined the statutory pension schemes of the respective countries. Our Group and its members incorporated in Malaysia and Vietnam have complied with the relevant laws and regulations, and the relevant contributions have been made by our Group in accordance with the relevant laws and regulations.

### **SHARE OPTION SCHEME**

Our Company has conditionally adopted the Share Option Scheme, the purpose of which is to provide incentives to the relevant participants to contribute to our Company and to enable our Company to recruit high-calibre employees and attract human resources that are valuable to our Group. The principal terms of the Share Option Scheme are summarised in “Statutory and General Information — Other Information — 15. Share Option Scheme” in Appendix V to this prospectus.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

### OUR CONTROLLING SHAREHOLDER

Immediately upon completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), PRG Holdings will directly hold 75.0% interest in our Company, hence entitled to exercise 30.0% or more of the voting power at general meetings of our Company and is therefore regarded as our Controlling Shareholder. As none of PRG Holdings' shareholders can exercise or control the exercise of 30.0% or more of its voting power at its general meetings, PRG Holdings is the only controlling shareholder of our Company for the purpose of the GEM Listing Rules.

### Information on PRG Holdings

PRG Holdings is an investment holding company listed on the Second Board of Bursa Malaysia on 16 October 2003 and listed on the Main Market of Bursa Malaysia with effect from 3 August 2009 (stock code: 7168 and stock name: PRG) pursuant to the merger of the Main Board and Second Board of the Bursa Malaysia into the Main Market of Bursa Malaysia. As at the Latest Practicable Date, the Parent Group has also been engaged in the business of property development and construction in Malaysia.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER AND ITS CLOSE ASSOCIATES

Our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, the Parent Group (i.e. our Controlling Shareholder and its close associates (excluding our Group)), taking into consideration the following factors:

#### Operational independence

We are operating our businesses independently of the Parent Group as:

- our major operating subsidiaries have obtained and hold in their respective names all necessary licences and permits to operate our business, and do not rely on any licences or permits held by the Parent Group;
- all the patents, trademarks and domain names used by our Group in our business are registered in the respective names of members of our Group;
- the manufacturing bases in Malaysia and Vietnam and all relevant equipment and assets necessary to our business operations are either owned by our Group or leased/hired to our Group by independent third parties instead of the Parent Group;
- we have independent access to our major suppliers, and the Parent Group is neither a major supplier nor an intermediary of a major supplier of our Group; and
- our Company has its own management team which is independent of the Parent Group. See "Independence from our Controlling Shareholder and its Close Associates — Management Independence" in this section for further details and analysis.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

### Financial Independence

Our Board believes that our Group is financially independent from our Controlling Shareholder and its close associates as:

- all amounts due to or from the Parent Group will be settled, and all guarantees provided by the Parent Group, a Director and directors of a member of our Group to secure our bank loans or other borrowing will all be replaced by guarantees from members of our Group upon Listing;
- we have our own accounting and financial department and independent financial system and make our financial decisions independently in accordance with our own business and operation needs;
- our finance operations are handled by our finance department, which operates independently from the Parent Group, and does not share any other functions or resources with the Parent Group;
- we have our own treasury function and we have independent access to third party financing on market terms and conditions for our business operations as and when required; and
- we have independent bank accounts and do not share any of our bank accounts, loan facilities or credit facilities with the Parent Group.

### Management Independence

Our Group and the Parent Group have boards of directors that function independently of each other. The table below sets out the positions held by our Directors in our Controlling Shareholder and its close associates as at the Latest Practicable Date:

| Name of Director                                      | PRG Holdings | Members of the Parent Group<br>(excluding PRG Holdings) |
|-------------------------------------------------------|--------------|---------------------------------------------------------|
| <i><b>Our non-executive Director</b></i>              |              |                                                         |
| Dato' Lim Heen Peok                                   | Director     | X                                                       |
| <i><b>Our executive Directors</b></i>                 |              |                                                         |
| Mr. Cheah Eng Chuan                                   | Director     | X                                                       |
| Mr. Tan Chuan Dyi                                     | X            | X                                                       |
| Dato' Lua Choon Hann                                  | Director     | X                                                       |
| <i><b>Our independent non-executive Directors</b></i> |              |                                                         |
| Mr. Ho Ming Hon                                       | X            | X                                                       |
| Dato' Dr. Hou Kok Chung                               | X            | X                                                       |
| Dato' Sri Wee Jeck Seng                               | X            | X                                                       |

*Note:* The symbol "X" represents absence of directorship.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

The Board consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. Each of Dato' Lim Heen Peek (our non-executive Director) and Mr. Cheah Eng Chuan (our executive Director) resigned as director of PRG Holdings on 20 September 2017. Dato' Lua Choon Hann will, upon the Listing, remain as director of PRG Holdings.

Notwithstanding the proposed common directorship to be held by Dato' Lua Choon Hann in our Company and in PRG Holdings upon the Listing, our Directors believe that independence between our Group and the Parent Group will be maintained on the following bases:

- pursuant to the terms of the service contracts entered into between our Company and our executive Directors, every executive Director is required to devote sufficient time, attention and abilities during normal business hours and such additional time as may reasonably be requisite to our Group. The position held by Dato' Lua Choon Hann in the Parent Group only requires him to oversee the strategic planning of and provide strategic advice to the Parent Group as and when needed and therefore will neither affect his devotion of time and attention to our Group, nor the proper discharge and performance of his functions and duties towards our Group;
- the day-to-day operations of our Group are principally overseen and managed by our executive Directors and senior management members, who (except for Dato' Lua Choon Hann) have no official capacity or involvement in, are not in any ways remunerated by, and are independent from, the Parent Group;
- our senior management members have, during the whole or substantially the whole of the Track Record Period, undertaken senior management supervisory responsibilities in our Group's business and are primarily responsible for the management of day-to-day operations of our Group as well as the implementation of business plans and strategies laid down by our Board. The senior management of our Group comprises three members, none of whom holds any management or executive roles in the Parent Group. This ensures the daily management and operations of our Group to be independent from those of the Parent Group;
- with the appointment of the independent non-executive Directors to our Board, we maintain and will continue to maintain a balanced composition of executive and non-executive Directors with diversified expertise and experience, a strong independent element is thus present to effectively exercise independent judgment on the corporate actions of our Company and make decisions after due consideration of independent and impartial opinions and views of our independent non-executive Directors;
- the management, operation and affairs of our Group are headed, managed and supervised jointly by our Board instead of by any individual Director. Our Board acts collectively by a majority decision according to the Articles, and no individual Director is allowed to transact or can alone make any decision on behalf of our Company unless authorised by our Board or in accordance with the provisions of the Articles and the Companies Law. Any view of a Director will be checked and balanced by the view of other members of our Board, including the independent non-executive Directors;

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

- each of our Directors is aware of his fiduciary duties as a Director which requires, among other things, that he acts honestly and in good faith for the benefit and in the interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. No individual Director can alone transact or make any decision for and on behalf of our Company for his personal interest;
- pursuant to and unless otherwise permitted under the Articles and the GEM Listing Rules, our Directors must abstain from voting on any resolutions of our Board in respect of any contracts or arrangements or proposal in which they or any of their respective close associates (or in the case of connected transactions, their respective associates) have a material interest, and shall not be counted towards the quorum of such relevant meeting(s) of the Board. The independence of our Board's decisions in respect of any matters in which any of our Directors has a material interest and/or potential conflict of interest is and can be ensured; and
- our Company has established corporate governance procedures in safeguarding the interests of our Shareholders and enhancing Shareholders' value. Each of our Directors is fully aware of his fiduciary duty to our Group, and will abstain from voting on any matter where there is or may be a conflict of interest as required under and in accordance with the Articles and/or the GEM Listing Rules.

On the aforesaid bases, our Directors believe that we operate independently of our Controlling Shareholder and its close associates (excluding our Group).

### COMPETITION

#### Clear delineation of our businesses

We are a manufacturer of elastic textile, webbing and other products including rubber tape and metal components for furniture in Malaysia and Vietnam. In contrast, the Parent Group is principally engaged in the business of property development and construction in Malaysia. Our principal businesses are thus highly distinct from those carried out by the Parent Group and we do not compete with the Parent Group not only by virtue of the primary difference in nature of our respective principal businesses and the discrete industries that we respectively operate in, but also in terms of our respective requirements for resources and management expertise.

Both of our Group and the Parent Group are expected to continue to focus on their respective businesses.

#### Competing Business under Rule 11.04 of the GEM Listing Rules

Our Controlling Shareholder and each of our Directors has confirmed that neither it (he) nor its (his) close associates is (or are) engaged in, or interested in any business (other than that of our Group) which, directly or indirectly, competes or may compete with our business and requires disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

#### Undertakings given by our Controlling Shareholder

To protect our Group from any potential competition, the Controlling Shareholder has entered into the Deed of Non-Competition, which contains certain non-compete undertakings (the “**Non-Compete Undertakings**”) in favour of our Company. Pursuant to these Non-Compete Undertakings, the

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

Controlling Shareholder has, among other matters, irrevocably undertaken to us that at any time during the Relevant Period (as defined below), the Controlling Shareholder shall, and shall procure that its close associates and/or companies controlled by it (other than our Group) shall:

- (i) not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete with the businesses of our Group (including but not limited to the manufacturing of elastic textile, webbing and other products including rubber tape and metal components for furniture) in Malaysia, Vietnam and/or any other country or jurisdiction in or to which our Group sells our products and/or in which any member of our Group carries out the abovementioned business from time to time (the “**Restricted Activity**”);
- (ii) not solicit any then existing employee of our Group for employment by it or its close associates (excluding our Group);
- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its knowledge in its capacity as our Controlling Shareholder for any purpose of engaging, investing or participating in any Restricted Activity;
- (iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to our Group for consideration;
- (v) not invest or participate in any Restricted Activity; and
- (vi) procure its close associates (excluding our Group) not to invest or participate in any project or business opportunity of the Restricted Activity.

The above undertakings (i), (v) and (vi) are subject to the exception that any of the close associates of the Controlling Shareholder (excluding our Group) are entitled to invest, participate and be engaged in any Restricted Activity or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after review and approval by our Directors (including our independent non-executive Directors without the attendance by any Director with beneficial interest in such project or business opportunities at the meeting, in which resolutions have been duly passed by the majority of the independent non-executive Directors), confirmed its rejection to be involved or engaged, or to participate, in the relevant Restricted Activity and provided also that the principal terms on which that relevant close associate of the Controlling Shareholder invests, participates or engages in the Restricted Activity are substantially the same as or not more favourable than those disclosed to our Company. Subject to the above, if the relevant close associate of the Controlling Shareholder decides to be involved, engaged, or participate in the relevant Restricted Activity, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to our Company and our Directors as soon as practicable.

The Non-Compete Undertakings will become effective conditional on (i) the Stock Exchange granting listing of, and permission to deal in, all our Shares in issue and to be issued (among others) under the Share Offer; and (ii) the obligations of the Underwriter under the Underwriting Agreements becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the Underwriter) and that the Underwriting Agreements not being terminated in accordance with their respective terms or otherwise.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

For the above purpose, the “**Relevant Period**” means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

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

The Controlling Shareholder has undertaken in favour of our Company under the Deed of Non-Compete Undertakings that it shall provide to us and our Directors (including our independent non-executive Directors) from time to time all information necessary for the annual review by our independent non-executive Directors with regard to compliance with the terms of the Non-Compete Undertakings by the Controlling Shareholder. The Controlling Shareholder has also undertaken to make an annual declaration as to compliance with the terms of the Non-Compete Undertakings in our annual report.

The independent non-executive Directors will review, on an annual basis, the compliance of the Controlling Shareholder with the Non-Compete Undertakings (in particular, the right of first refusal relating to any new business opportunity that relates to the Restricted Activity) and our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance with the enforcement of the Non-Compete Undertakings in our annual report or by way of announcement to the public.

## CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTERESTS

Our Company has adopted the corporate governance measures with the following principles to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- we have appointed three independent non-executive Directors to ensure the effective exercise of independent judgment on the decision-making process of our Board and provide independent advice to our Shareholders;
- our Controlling Shareholder will abstain from voting at any general meeting of our Company if our Controlling Shareholder and/or its close associates (or in the case of connected transactions, its associates) is (or are) materially interested in any transactions to be considered and approved at our general meetings and shall not be counted towards the quorum for voting pursuant to the Articles and/or the GEM Listing Rules; and
- any transaction between our Group and our connected persons will be required to comply with Chapter 20 of the GEM Listing Rules, including, where applicable, the announcement, reporting, annual review and independent shareholders’ approval requirements and any conditions as may be imposed by the Stock Exchange for the granting of any waiver from strict compliance with the relevant requirements of the GEM Listing Rules.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Parent Group and our Group and to protect the interests of our Shareholders, in particular, our minority Shareholders.



## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, as at the Latest Practicable Date and immediately following completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be taken up or acquired under the Share Offer and any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), other than our Directors or the chief executive of our Company whose interests (if any) are disclosed in “Statutory and General Information — Further information about our Directors and substantial shareholders — 12. Directors — (d) Interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Share Offer”, the following person had and will have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly, interested in 10% or more of the total number of shares in any class of share capital carrying rights to vote in all circumstances at general meetings of any of our subsidiaries:

#### Interests and short positions in our Company

| Name of shareholder       | Capacity/<br>Nature of<br>interest | As at the Latest Practicable Date    |                                              | Immediately following the completion<br>of the Share Offer and<br>the Capitalisation Issue |                                              |
|---------------------------|------------------------------------|--------------------------------------|----------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------|
|                           |                                    | Number of<br>Shares held<br>(Note 1) | Approximate<br>percentage of<br>shareholding | Number of<br>Shares held<br>(Note 1)                                                       | Approximate<br>percentage of<br>shareholding |
| PRG Holdings (Note 2 & 3) | Beneficial owner                   | 1,000,000 (L)<br>(Note 4)            | 100.0%                                       | 378,000,000<br>Shares (L)                                                                  | 75.0%                                        |

Notes:

- (1) The letter “L” denotes the person’s long position (as defined under Part XV of the SFO) in the Shares.
- (2) PRG Holdings is a company incorporated in Malaysia and whose shares are listed on the Main Market of Bursa Malaysia.
- (3) As at the Latest Practicable Date, (a) Dato’ Lim Heen Peok, our non-executive Director, was an independent non-executive chairman of PRG Holdings; (b) Mr. Cheah Eng Chuan, our executive Director, was a managing director of the manufacturing division of PRG Holdings; and (c) Dato’ Lua Choon Hann was a group managing director of PRG Holdings. Dato’ Lim Heen Peok and Mr. Cheah Eng Chuan resigned as independent non-executive chairman and managing director, respectively, of PRG Holdings on 20 September 2017.
- (4) The total number of Shares held by PRG Holdings increased to 20,000,000 Shares on 21 September 2017 upon completion of the share purchase agreement dated 21 September 2017 as part of the Reorganisation. Please see “Statutory and General Information — Further information about our Company and other Members of our Group — 4. Group Reorganisation — paragraph (e)” in Appendix V to this prospectus for further details.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be taken up or acquired under the Share Offer and any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), other than our Directors or the chief executive of our Company whose interests (if any) are disclosed in “Statutory and General Information — Further information about our Directors and substantial shareholders — 12. Directors — (d) Interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares or



## **SUBSTANTIAL SHAREHOLDERS**

debentures of our Company and our associated corporations following the Share Offer”, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the total number of shares in any class of share capital carrying rights to vote in all circumstances at general meetings of our subsidiaries.

## SHARE CAPITAL

### SHARE CAPITAL

The authorised and issued share capital of our Company is as follows:

*Authorised share capital:* *HK\$*

|                             |                    |
|-----------------------------|--------------------|
| <u>1,000,000,000</u> Shares | <u>100,000,000</u> |
|-----------------------------|--------------------|

Assuming the Offer Size Adjustment Option is not exercised, the issued share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue will be as follows (without taking into account any Shares which may be allotted and issued pursuant to any exercise of the options which may be granted under the Share Option Scheme):

*Issued and to be issued, fully paid or credited as fully paid* *HK\$*

|                                                                                                                                               |                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| 20,000,000 Shares in issue at the date of this prospectus                                                                                     | 2,000,000         |
| 358,000,000 Shares to be issued pursuant to the Capitalisation Issue                                                                          | 35,800,000        |
| 126,000,000 Shares to be issued under the Share Offer (excluding any<br>Shares which may be issued under the Offer Size<br>Adjustment Option) | 12,600,000        |
| <u>504,000,000</u> Shares                                                                                                                     | <u>50,400,000</u> |

Assuming the Offer Size Adjustment Option is exercised in full, the share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue will be as follows (without taking into account any Shares which may be allotted and issued pursuant to any exercise of the options which may be granted under the Share Option Scheme):

*Issued and to be issued, fully paid or credited as fully paid* *HK\$*

|                                                                                                                                            |                   |
|--------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| 20,000,000 Shares in issue at the date of this prospectus                                                                                  | 2,000,000         |
| 358,000,000 Shares to be issued pursuant to the Capitalisation Issue                                                                       | 35,800,000        |
| 144,900,000 Shares to be issued under the Share Offer (inclusive of any<br>Shares may be issued under the Offer Size Adjustment<br>Option) | 14,490,000        |
| <u>522,900,000</u> Shares                                                                                                                  | <u>52,290,000</u> |

### ASSUMPTIONS

The above tables assume the Share Offer has become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account (a) Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme; or (b) of any Shares which may be allotted and issued or bought back by our Company under the general mandates for the allotment and issue or buy-back of Shares granted to our Directors as referred to below or otherwise.

## SHARE CAPITAL

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

### RANKING

The Offer Shares and the Shares that may be issued pursuant to the Offer Size Adjustment Option or upon the exercise of any options which may be granted under the Share Option Scheme shall rank pari passu with all existing Shares in issue on the date of the allotment and issue of such Shares, and in particular will be entitled to all dividends or other distributions declared, made or paid after the date of this prospectus except for the Capitalisation Issue.

### CAPITALISATION ISSUE

Pursuant to the written resolutions of our sole Shareholder passed on 20 September 2017, conditional upon the share premium account of our Company being credited with the proceeds of the Share Offer, our Directors were authorised to allot and issue a total of 358,000,000 Shares credited as fully paid at par to PRG Holdings as the sole Shareholder whose name appeared on the register of members of our Company at close of business on 29 September 2017 by way of capitalisation of the sum of HK\$35,800,000 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank pari passu in all respects with the existing issued Shares.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 20 September 2017. A summary of the principal terms of the Share Option Scheme is set out in “Statutory and General Information — Other Information — 15. Share Option Scheme” in Appendix V to this prospectus.

### GENERAL MANDATE TO ISSUE NEW SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares in total number of not more than the sum of:

- (i) 20.0% of the aggregate number of the Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued upon exercise of the Offer Size Adjustment Option); and
- (ii) the aggregate number of Shares which may be bought back by our Company, if any, under the general mandate to buy back Shares referred to below.

The total number of Shares which our Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of Shares pursuant to (i) a rights issue; or (ii) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of any dividend on Shares in accordance with the Articles; or (iii) any specific authority as may be granted by the Shareholders in general meetings; or (iv) the exercise of the Offer Size Adjustment Option, or the exercise of options which may be granted under the Share Option Scheme or any other arrangements which may be regulated under Chapter 23 of the GEM Listing Rules.

## SHARE CAPITAL

This mandate will expire at the earliest of:

- the conclusion of our Company's next annual general meeting; or
- the date by which the next general meeting of our Company is required by the Articles, the Companies Law or any other applicable law to be held; or
- when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please see “Statutory and General Information — Further Information about our Company and Other Members of our Group — 3. Resolutions in writing of the sole Shareholder passed on 20 September 2017” in Appendix V to this prospectus.

### GENERAL MANDATE TO BUY BACK SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to buy back Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed or recognised by the SFC and the Stock Exchange for this purpose with an aggregate number of not more than 10% of the aggregate number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued upon the exercise of the Offer Size Adjustment Option).

This mandate only relates to buy-backs made on GEM, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the GEM Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the buy-back of Shares is set out in “Statutory and General Information — Further Information about our Company and Other Members of our Group — 7. Buy-back by our Company of our own securities” in Appendix V to this prospectus.

This mandate will expire at the earliest of:

- the conclusion of our Company's next annual general meeting; or
- the date by which the next general meeting of our Company is required by the Articles, the Companies Law or any other applicable law to be held; or
- when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, see “Statutory and General Information — Further Information about our Company and Other Members of our Group — 3. Resolutions in writing of the sole Shareholder passed on 20 September 2017” in Appendix V to this prospectus.

### GENERAL MEETING

For details as to circumstances under which our general meetings are required to be held, see “Summary of the Constitution of our Company and the Cayman Islands Companies Laws — 2. Articles of Association” in Appendix IV to this prospectus.

## FINANCIAL INFORMATION

*You should read this section in conjunction with our audited combined financial statements, including the notes thereto, as set out in the Accountant's Report. Our Group's combined financial statements have been prepared in accordance with the IFRS. You should read the entire Accountant's Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contain certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties over which we do not have control. See "Risk Factors" and "Forward-looking Statements" in this prospectus for further details.*

*Our financial year begins on 1 January and ends on 31 December. All references to "FY2015", "FY2016", "1Q2016" and "1Q2017" mean the financial years ended 31 December 2015 and 2016, and the three months ended 31 March 2016 and 2017, respectively.*

### OVERVIEW

We are a long established elastic textile and webbing manufacturer in Malaysia and Vietnam. During the Track Record Period, we manufactured and sold (i) elastic textile comprising covered elastic yarn and narrow elastic fabric; (ii) webbing comprising furniture webbing and seat belt webbing; and (iii) other products comprising rubber tape and metal component for furniture.

During the Track Record Period, we manufactured and sold our products in Malaysia and Vietnam, and also exported our products to over 30 countries including the United States, the United Kingdom, India, Indonesia, Australia, Sri Lanka and Pakistan. Details of our business operations are set out in "Business" in this prospectus.

Set out below is the selected financial information on profitability of our Group for the years and periods indicated:

|                                                                   | Year ended 31 December |                |                           | Three months period ended 31 March |                |                           |
|-------------------------------------------------------------------|------------------------|----------------|---------------------------|------------------------------------|----------------|---------------------------|
|                                                                   | 2015<br>RM'000         | 2016<br>RM'000 | Percentage<br>change<br>% | 2016<br>RM'000                     | 2017<br>RM'000 | Percentage<br>change<br>% |
|                                                                   |                        |                |                           |                                    |                | (Unaudited)               |
| Revenue                                                           | 89,034                 | 97,937         | 10.0                      | 22,283                             | 27,935         | 25.1                      |
| Gross profit                                                      | 20,921                 | 26,863         | 28.7                      | 4,945                              | 8,305          | 69.4                      |
| Profit for the year/period                                        | 5,376                  | 6,668          | 24.1                      | 526                                | 1,118          | 120.0                     |
| Listing expenses                                                  | –                      | (2,404)        | N/A                       | –                                  | (2,054)        | N/A                       |
| Profit for the year/period<br>(excluding Listing expenses) (Note) | 5,376                  | 9,072          | 68.5                      | 526                                | 3,172          | 540.0                     |
| Gross profit margin                                               | 23.5%                  | 27.5%          | 4.0                       | 22.2%                              | 29.7%          | 7.5                       |
| Net profit margin                                                 | 6.1%                   | 6.8%           | 0.7                       | 2.2%                               | 3.9%           | 1.7                       |
| Adjusted net profit margin (excluding<br>Listing expenses)        | 6.1%                   | 9.3%           | 3.2                       | 2.2%                               | 11.5%          | 9.3                       |

## FINANCIAL INFORMATION

*Note:* It is a non-IFRS measure, which is calculated by adding Listing expenses to the profit for the year/period. Profit for the year/period (excluding Listing expenses) is presented because our management believes such information will be helpful for investors in assessing the effect of Listing expenses on our net profit. However, when assessing our operating and financial performance, you should not view such information in isolation or as a substitute for our profit for the year/period or any other operating performance measure that is calculated in accordance with IFRS.

Set out below is a table summarising the movements in sales volume and average selling price for our elastic textile and webbing products, which in aggregate accounted for over 84% of our revenue during the Track Record Period:

|                         | Percentage changes from |                                  |                      |                                  |
|-------------------------|-------------------------|----------------------------------|----------------------|----------------------------------|
|                         | FY2015 to FY2016        |                                  | 1Q2016 to 1Q2017     |                                  |
|                         | Sales<br>volume<br>%    | Average<br>selling<br>price<br>% | Sales<br>volume<br>% | Average<br>selling<br>price<br>% |
| Elastic textile         |                         |                                  |                      |                                  |
| — Covered elastic yarn  | (1.2)                   | 7.8                              | (6.8)                | 16.0                             |
| — Narrow elastic fabric | 8.0                     | 16.7                             | 12.5                 | 13.9                             |
| Webbing                 |                         |                                  |                      |                                  |
| — Furniture webbing     | (6.2)                   | 4.8                              | 44.8                 | 7.5                              |
| — Seat belt webbing     | 32.3                    | (1.9)                            | 14.8                 | 0.9                              |

We recorded an increase in revenue by 10.0% from RM89.0 million for FY2015 to RM97.9 million for FY2016 mainly due to, to a large extent, increase in the sales volume of the elastic textile and webbing products and, to a lesser extent, sales of high specification products which commanded higher price. Except for seat belt webbing which had a marginal drop in average selling price of 1.9%, our elastic textile and webbing products recorded increase in average price by 4.8% to 16.7%. Our gross profit and gross profit margin increased in FY2016 as compared to FY2015 mainly because of (i) increase in revenue; (ii) general increase in average selling price of our elastic textile and webbing products; and (iii) a general drop in price for most of our major raw materials in the range from 3.9% to 11.8% in FY2016. As we managed to keep our operating overheads at a stable level, our net profit excluding Listing expenses increased by 68.5% from RM5.3 million for FY2015 to RM9.1 million for FY2016.

Our revenue for 1Q2017 increased by 25.1% to RM27.9 million as compared to RM22.3 million for 1Q2016 which was mainly attributable to the increase in sales volume and average selling price of our elastic textile and webbing products. Our gross profit and gross profit margin increased in 1Q2017 as compared to 1Q2016 which was primarily attributable to (i) increase in revenue; (ii) increase in average selling price of our elastic textile and furniture webbing products by 7.5% to 16.0%; (iii) the overall price of our raw materials was still at a level comparable to that for FY2016 in general except for nylon and rubber; and (iv) the relatively low production volume in 1Q2016 leading to a higher sharing of fixed production cost in the same period. The increase in gross profit and our continuous effort in maintaining our operating overheads at a stable level contributed to our remarkable growth in net profit before Listing expenses by 540.0% to RM3.2 million for 1Q2017 as compared to RM0.5 million for 1Q2016.

## FINANCIAL INFORMATION

See “Financial Information — Principal Income Statement Components — Revenue by product segments” beginning on page 215 of this prospectus for further details of our revenue by product segments.

Set out below is the selected financial information on our financial position in Track Record Period:

|                                                          | Year ended 31 December |                       |                           | Three months period ended 31 March          |                       |                           |
|----------------------------------------------------------|------------------------|-----------------------|---------------------------|---------------------------------------------|-----------------------|---------------------------|
|                                                          | 2015<br><i>RM'000</i>  | 2016<br><i>RM'000</i> | Percentage<br>change<br>% | 2016<br><i>RM'000</i><br><i>(Unaudited)</i> | 2017<br><i>RM'000</i> | Percentage<br>change<br>% |
| Operating cash flows before movements in working capital | 12,039                 | 12,332                | 2.5                       | 2,005                                       | 3,255                 | 65.0                      |
| Net current assets                                       | 34,057                 | 37,782                | 10.9                      | N/A                                         | 30,205                | N/A                       |
| Net assets                                               | 71,283                 | 76,017                | 6.6                       | N/A                                         | 68,734                | N/A                       |

Please refer to the discussion below for the reasons for the year-on-year and period-to-period fluctuation.

### SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL POSITION OF OUR GROUP

Our results of operations and financial position have been and will continue to be affected by a number of factors, many of which may be beyond our control, including the factors set out in “Risk Factors” in this prospectus and those set out below:

#### **Demand for our products is largely dependent on demand from our manufacturing customers in the downstream industries**

The elastic textile and webbing products we manufacture serve as the raw materials for a number of end products in various industries, such as apparel, furniture and automotive. The covered elastic yarns and the narrow elastic fabrics are mainly used to produce different apparel goods, whilst the webbing materials are for making of furniture products and seat belts for motor vehicles. During the Track Record Period, we sold approximately 45% of our products to the local manufacturing customers in Malaysia and Vietnam and exported the remainders to overseas customers. Our business operations and financial performance have also benefited from the growing global demands for the end products manufactured by our customers, and the continuous industrial development in Malaysia and the favourable labour and taxation environment in Vietnam that generates demands for our products from local manufacturers whose end products are largely shipped overseas. According to the Frost and Sullivan Report, the global demands for our major products are forecast to grow at CAGRs ranging from 5.1% to 10.1% from 2016 to 2021, driven by the increasing global demands for the end products in the downstream industries, including apparel, furniture and automotive industries.

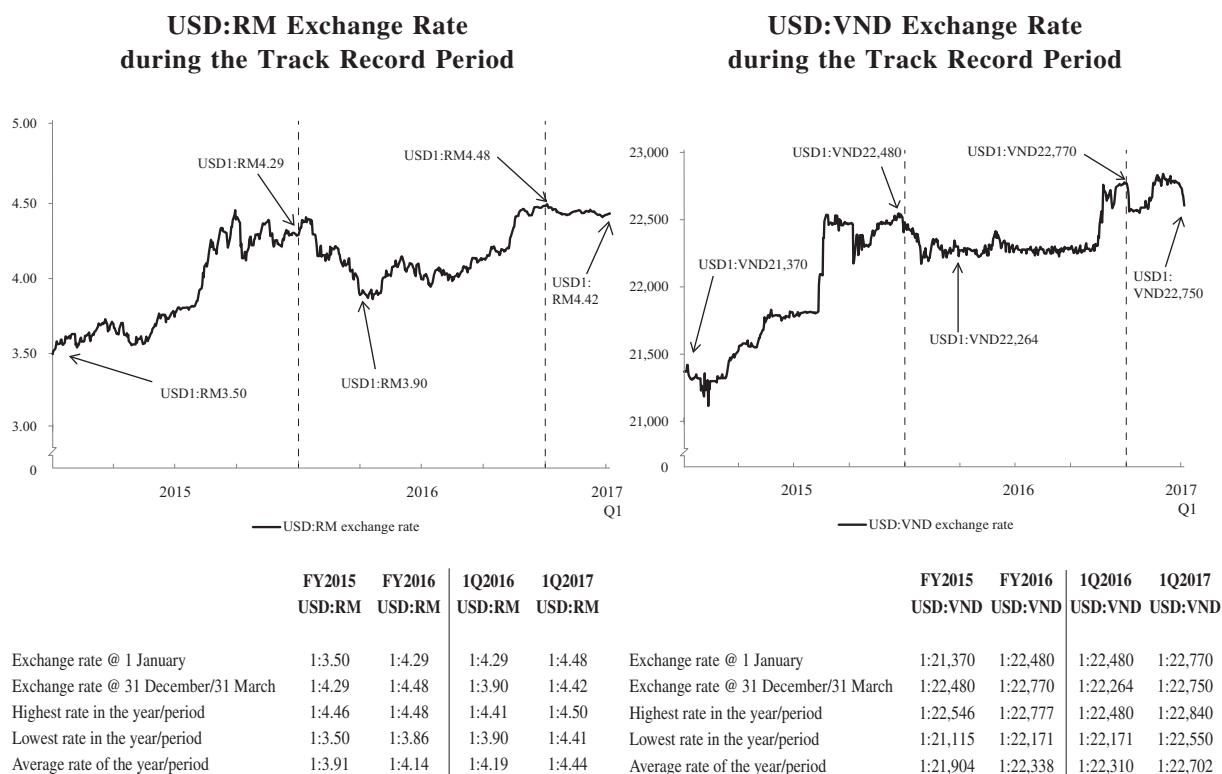
Nevertheless, we believe that our customers would only continue to place orders with us so long as (i) our products can meet their specification requirements; (ii) our product pricing is competitive; and (iii) most importantly, they have the orders from their respective customers for the end products they manufacture and for which our elastic yarns and fabrics as well as webbing materials serve as raw materials. Therefore, if we fail to provide products complying with customer’s specification

## FINANCIAL INFORMATION

requirements, our product pricing becomes uncompetitive, whether locally or internationally, or our customers experience reduction in their sales, our revenue and profitability will likely be adversely affected.

### Fluctuations in foreign exchange rates

During the Track Record Period, as US dollar was gaining momentum, both RM and VND exhibited different degrees of depreciation against US dollars. The average exchange rate of USD against RM had increased by 5.9% from USD1:RM3.91 in FY2015 to USD1:RM4.14 in FY2016, and further increased by 7.2% to USD1:RM4.44 in 1Q2017 (i.e. depreciation of RM); while the average exchange rate of USD against VND had increased slightly by 2.0% from USD1:VND21,904 in FY2015 to USD1:VND22,338 in FY2016, and further increased by 1.6% to USD1:VND22,702 in 1Q2017 (i.e. depreciation of VND). In FY2015, FY2016 and 1Q2017, 60.7%, 63.5% and 62.5% of our revenue was denominated in US dollars whereas 54.5%, 51.0% and 48.9% of our raw material purchase was denominated in US dollars, respectively. Therefore, we generally had a net US dollar exposure arising from our income after settling the purchases. As a result, our profitability would benefit from the appreciation of US dollar against RM and VND during the Track Record Period. However, if USD depreciates against RM and VND, our results will be negatively affected.



Source: Thomson Reuters



## FINANCIAL INFORMATION

The following sensitivity analysis illustrates the impact of hypothetical foreign exchange movements on our revenue, cost of sales and gross profit by 1%, 2% and 5% for each of FY2015, FY2016, 1Q2016 and 1Q2017.

|        | <b>(Decrease)/increase in revenue<br/>for the year/period if USD</b> |                                                    |                                                    |
|--------|----------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
|        | <b>depreciate/<br/>appreciate by 1%<br/>RM'000</b>                   | <b>depreciate/<br/>appreciate by 2%<br/>RM'000</b> | <b>depreciate/<br/>appreciate by 5%<br/>RM'000</b> |
| FY2015 | (540)/540                                                            | (1,080)/1,080                                      | (2,700)/2,700                                      |
| FY2016 | (616)/616                                                            | (1,232)/1,232                                      | (3,080)/3,080                                      |
| 1Q2016 | (131)/131                                                            | (263)/263                                          | (657)/657                                          |
| 1Q2017 | (174)/174                                                            | (349)/349                                          | (872)/872                                          |

|        | <b>Decrease/(increase) in cost of sales<br/>for the year/period if USD</b> |                                                    |                                                    |
|--------|----------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
|        | <b>depreciate/<br/>appreciate by 1%<br/>RM'000</b>                         | <b>depreciate/<br/>appreciate by 2%<br/>RM'000</b> | <b>depreciate/<br/>appreciate by 5%<br/>RM'000</b> |
| FY2015 | 203/(203)                                                                  | 406/(406)                                          | 1,014/(1,014)                                      |
| FY2016 | 196/(196)                                                                  | 392/(392)                                          | 979/(979)                                          |
| 1Q2016 | 43/(43)                                                                    | 87/(87)                                            | 217/(217)                                          |
| 1Q2017 | 60/(60)                                                                    | 119/(119)                                          | 298/(298)                                          |

|        | <b>(Decrease)/increase in gross profit<br/>for the year/period if USD</b> |                                                    |                                                    |
|--------|---------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
|        | <b>depreciate/<br/>appreciate by 1%<br/>RM'000</b>                        | <b>depreciate/<br/>appreciate by 2%<br/>RM'000</b> | <b>depreciate/<br/>appreciate by 5%<br/>RM'000</b> |
| FY2015 | (337)/337                                                                 | (674)/674                                          | (1,686)/1,686                                      |
| FY2016 | (420)/420                                                                 | (840)/840                                          | (2,101)/2,101                                      |
| 1Q2016 | (88)/88                                                                   | (176)/176                                          | (440)/440                                          |
| 1Q2017 | (114)/114                                                                 | (230)/230                                          | (574)/574                                          |

*Note:* The above sensitivity analysis is prepared on the basis that the changes in foreign exchange rates will not affect the supply and demand of our products and raw materials as well as their respective price in original currency.

While we adopted Malaysian Ringgit as our reporting currency, some of our assets and liabilities such as trade receivables and payables arising from export sales and purchase of raw material were denominated in other currencies, mainly US dollars, as mentioned above. As a result, we have a net position in US dollars from time to time. As at 31 December 2015 and 2016 and 31 March 2017, our net monetary assets denominated in US dollar amounted to RM18.4 million, RM16.2 million and RM9.0 million, respectively. These foreign currency balances are revalued at each accounting year or period end with the then prevailing exchange rate and may give rise to translational foreign currency exchange gain or loss which represents, among others, our other income/(expenses). Due to the depreciation of RM and VND against USD, our Group recorded gain on foreign exchange of RM1.1 million and RM0.3 million for FY2015 and FY2016, respectively. On the other hand, we recorded losses of foreign exchange of RM0.3 million and RM0.1 million for 1Q2016 and 1Q2017, respectively, mainly due to the

## FINANCIAL INFORMATION

appreciation of RM against USD towards the end of March for both years. If USD further depreciates against RM and VND (i.e. appreciation of RM and VND), we may record a translational loss on foreign exchange.

### **Product mix**

Our revenue and profitability is affected by our product mix as different products have different selling prices and margin. Our product mix is largely dependent on the demand of our customers. During the Track Record Period, over 50.0% of our revenue was derived from our elastic textile products, among which we had sold more of our higher specification products, such as covered elastic yarn that uses spandex and nylon cores for industrial use, and narrow elastic fabric made by needle weaving process. These products were sold at higher average selling prices and with a higher margin in general, thereby contributed to the increase in revenue, gross profit and gross profit margin during the Track Record Period. We intend to continuously enhance our revenue and profitability by actively promoting products with higher margin to our customers. However, in the event that our customers demand less of our higher specification products, our revenue and operating results may be adversely affected.

### **Raw material price**

Our principal raw materials mainly include (i) yarns; (ii) natural and synthetic rubber and natural rubber threads; (iii) steel plate; (iv) colour dyes; and (v) chemicals. Our cost of raw materials, which was the main component of cost of sales, accounted for 55.5%, 53.5%, 51.5% and 53.1% of our total cost of sales for FY2015, FY2016, 1Q2016 and 1Q2017, respectively.

There was a general drop in unit price of our principal raw materials such as polyester high tenacity filament yarn, polypropylene multifilament yarn, nylon yarn and spandex in the range from 3.9% to 11.8% in FY2016 compared to that in FY2015 mainly attributable to the decreasing crude oil price and over-supply. See “Industry Overview — Raw Material Price Analysis” in this prospectus for more details. Prices of certain raw materials such as nylon began to rise in 1Q2017 following the rebound of crude oil price. Nevertheless, the overall price of raw material was still at a level comparable to that for FY2016 in general, with the exception of rubber which continued its rising trend from the fourth quarter of 2016.

During the Track Record Period, we were able to maintain the stability of selling price of our elastic textile and webbing products in general, despite the decrease in raw material price. It was because our customers for elastic textile treasure high and consistent product quality and timely delivery as well as fast responsiveness in fulfilling customisation requests, while our customers for seat belt webbings put more emphasis on high and consistent product quality and less willing to change supplier frequently. Together with the fact that our products represent only a small portion of the total cost of the end products, our customers in general did not demand us to lower our selling price. Nevertheless, our rubber tape products experienced a drop in average selling price in FY2016 due to a drop in raw material price during the first three quarters of 2016. However, the market price of rubber rebounded in the fourth quarter of 2016 and increased throughout 1Q2017. Hence, we increased the selling price of our rubber-related products accordingly to pass on the increase in raw material cost to our customers.

In the event that our raw material price shows a general increase, there is no assurance that we can pass on the increment to our customers and our trading results and financial position may be materially and adversely affected.

## FINANCIAL INFORMATION

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our raw material costs by 1%, 2% and 5% on our profit before tax for each of FY2015, FY2016, 1Q2016 and 1Q2017.

|        | <b>(Decrease)/Increase in our profit before tax<br/>for the year/period if our raw material costs</b> |                                               |                                               |
|--------|-------------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
|        | <b>increase/decrease<br/>by 1%<br/>RM'000</b>                                                         | <b>increase/decrease<br/>by 2%<br/>RM'000</b> | <b>increase/decrease<br/>by 5%<br/>RM'000</b> |
| FY2015 | (378)/378                                                                                             | (756)/756                                     | (1,890)/1,890                                 |
| FY2016 | (380)/380                                                                                             | (760)/760                                     | (1,901)/1,901                                 |
| 1Q2016 | (89)/89                                                                                               | (179)/179                                     | (447)/447                                     |
| 1Q2017 | (104)/104                                                                                             | (208)/208                                     | (521)/521                                     |

*Note:* The above sensitivity analysis is prepared on the basis that the changes in raw material costs are entirely absorbed by our Group.

### Labour costs

The steady and adequate supply of labour is essential to our operation in Malaysia and Vietnam. Labour costs accounted for 21.2%, 24.9%, 24.0% and 26.6% of our total costs of sales for FY2015, FY2016, 1Q2016 and 1Q2017, respectively. During the Track Record Period, we experienced an increase in labour cost. The cost of production labour increased by RM3.3 million (or 22.9%) from RM14.4 in FY2015 to RM17.7 million in FY2016, while the labour cost per head increased by 23.1%, from RM1,300 per month to RM1,600 per month during the same period. In 1Q2017, the cost of production labour increased by RM1.0 million (or 23.8%), compared to 1Q2016, while the labour cost per head also increased by 20.0% to RM1,920 per month during the same period. Such increase was mainly attributable to the (i) increase in salary concurrent with the increase in statutory minimum monthly wage of Dong Nai Province in Vietnam by 12.9% from VND3.1 million (equivalent to RM589) to VND3.5 million (equivalent to RM665) per worker effective on 1 January 2016, and the subsequent increase of 7.1% to VND3.75 million (equivalent to RM713) per worker effective on 1 January 2017; and (ii) increase in statutory minimum monthly wage in Malaysia by 11.1% from RM900 per worker to RM1,000 per worker effective on 1 July 2016.

We in general aim to pass on increase in labour cost to our customers by adjusting the price of our products. If we are not able to pass on any increase in labour costs, fully or partially, to our customers, our business, results of operations, financial condition and development prospects may be materially and adversely affected.

## FINANCIAL INFORMATION

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our labour costs as included in the cost of sales by 1%, 2% and 5% on our profit before tax for each of FY2015, FY2016, 1Q2016 and 1Q2017.

|        | <b>(Decrease)/Increase in our profit before tax<br/>for the year/period if our labour costs as<br/>included in the cost of sales</b> |                                               |                                               |
|--------|--------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
|        | <b>increase/decrease<br/>by 1%<br/>RM'000</b>                                                                                        | <b>increase/decrease<br/>by 2%<br/>RM'000</b> | <b>increase/decrease<br/>by 5%<br/>RM'000</b> |
| FY2015 | (144)/144                                                                                                                            | (289)/289                                     | (722)/722                                     |
| FY2016 | (177)/177                                                                                                                            | (354)/354                                     | (886)/886                                     |
| 1Q2016 | (42)/42                                                                                                                              | (83)/83                                       | (208)/208                                     |
| 1Q2017 | (52)/52                                                                                                                              | (105)/105                                     | (261)/261                                     |

*Note:* The above sensitivity analysis is prepared on the basis that the changes in labour costs are entirely absorbed by our Group.

### Production capacity and efficiency

Our growth highly depends on our ability to continue expanding our production capacity and enhancing our operating efficiency. We believe that the scale of our operations has been essential to our business development by enabling us to (i) be flexible in accepting sales orders of various size and fulfilling large orders in a timely manner; and (ii) achieve economies of scale through centralising our raw material purchases and enhancing the effectiveness of our fixed overheads. For each of FY2015, FY2016 and 1Q2017, our designed annual/annualised production capacities for covered elastic yarn and webbing were 0.9 million kg and 57.1 million metre, respectively, while our designed annual/annualised production capacity for narrow elastic fabric increased by 14.2% from 74.9 million metre in FY2015 to 85.5 million metre in FY2016 and further increased by 11.6% to 95.4 million metre in 1Q2017. For FY2015, FY2016 and 1Q2017, our utilisation rate of the production capacity for (i) covered elastic yarn was 93.6%, 87.9% and 95.4%, respectively; (ii) narrow elastic fabric was 98.0%, 88.2% and 76.0%, respectively; and (iii) seat belt webbing was 71.0%, 92.4% and 115.8%, respectively. Since the utilisation rate of our production facilities is high, we need to expand our production capacity to cater for our future business growth.

In this regard, we have envisaged an expansion plan involving building of a new factory in Vietnam for the production of narrow elastic fabrics and acquiring new machines for our other product lines, such as covered elastic yarn and seat belt webbing which will be funded by proceeds from the Share Offer. We expect our production capacity will increase after such projects are completed in phase from FY2017 to FY2019. If our current or future expansion plan fails to materialise or experience delay, we may not be able to increase our production capacity, thereby limiting our ability to take on further production orders from our customers and restricting our revenue growth, which would have an adverse impact on our business, financial condition, results of operations and development prospects.

## FINANCIAL INFORMATION

### BASIS OF PREPARATION AND PRESENTATION

Set out in Note 2 to the Accountant's Report is the basis of preparation and presentation for the financial information in the Accountant's Report.

The financial information of our Group has been prepared in accordance with IFRS. In addition, the financial information includes applicable disclosures required by the GEM Listing Rules.

Pursuant to the Reorganisation, our Company, which was incorporated on 3 March 2017, will become the holding company of the companies now comprising our Group upon Listing. The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows are prepared as if the current group structure had been in existence throughout the Track Record Period. The combined statements of financial position, as at 31 December 2015 and 2016 and 31 March 2017, present the assets and liabilities of the companies now comprising our Group, as if the current group structure had been in existence at those dates.

The financial information has been prepared under the historical cost basis. The financial information is presented in Malaysian Ringgit and all values are rounded to the nearest thousand, except where otherwise indicated.

### CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

In the process of applying our Group's accounting policies, our management may exercise judgments that have an impact on the amounts recognised in the financial statements in respect of such typical areas as:

- (i) Impairment of goodwill on consolidation — Goodwill arising from consolidation is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Significant management judgement is required to determine the amount of value in use, which involves making an estimate of the expected future cash flows and also choosing a suitable discount rate in order to calculate the present value of those cash flows;
- (ii) Depreciation of property, plant and equipment — The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to changes in the factors such as the expected usage, wear and tear of the assets and technical obsolescence;
- (iii) Impairment of receivables — Our management reviews receivables on a periodic basis and makes impairment based on an assessment of the recoverability of receivables. Management specifically analyses historical bad debts, receivable concentration, receivable creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables;
- (iv) Write down for obsolete or slow moving inventories — Based on our assessment of our estimated net selling price, inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses sales trend and current economic trends when making this judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories;

## FINANCIAL INFORMATION

- (v) Income taxes — Our Group is subject to income taxes of different jurisdictions. Significant judgement is required on the interpretation of tax laws and legislations during the estimation of the provision for income taxes.

The estimates and associated assumptions are made on historical experience and other relevant factors and are reviewed on an ongoing basis by our management. We had not experienced any material deviation between our management's estimates and actual results and had not changed these estimates during the Track Record Period. Our management does not expect any material change in these estimates in the foreseeable future.

For further details on the critical accounting judgments and estimates for the financial information, see Note 5 to the Accountant's Report.

### SIGNIFICANT ACCOUNTING POLICIES

Our significant accounting policies have been summarised in Note 4 to the Accountant's Report which include:

- (i) Consolidations for subsidiaries — Subsidiaries are consolidated from the date on which control is transferred to our Group. Our Group applies the acquisition method to account for business combinations;
- (ii) Property, plant and equipment — All items of property, plant and equipment are initially measured at cost. Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives:

|                                          |             |
|------------------------------------------|-------------|
| Long-term leasehold land                 | 60–99 years |
| Buildings                                | 8–50 years  |
| Plant and machinery                      | 5–10 years  |
| Furniture, fittings and office equipment | 5–10 years  |
| Motor vehicles                           | 5–10 years  |

Our property, plant and equipment owned during the Track Record Period do not have residual value.

- (iii) Translation of foreign subsidiaries' financial information — Financial information of foreign operations in functional currencies is translated into the presentation currency of our Group (i.e. Malaysian Ringgit) on business combination;
- (iv) Revenue recognition — Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer;
- (v) Inventories — Inventories are stated at the lower of cost and net realisable value.

|                              |
|------------------------------|
| <b>FINANCIAL INFORMATION</b> |
|------------------------------|

- (vi) Operating segments — Our Group reports separately information about each operating segment that meets any of the following quantitative thresholds:
- (i) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten per cent or more of the combined revenue, internal and external, of all operating segments.
  - (ii) The absolute amount of its reported profit or loss is ten per cent or more of the greater, in absolute amount of:
    - (a) the combined reported profit of all operating segments that did not report a loss; and
    - (b) the combined reported loss of all operating segments that reported a loss.
  - (iii) Its assets are ten per cent or more of the combined assets of all operating segments.

For further details, see Note 4 to the Accountant's Report.

## FINANCIAL INFORMATION

### RESULTS OF OPERATIONS

The following table sets out our combined statements of profit or loss for the years and periods indicated, information of which is extracted from the Accountant's Report. Potential investors should read this section in conjunction with the Accountant's Report and not rely merely on the information contained in this section.

#### Combined Statements of Profit or Loss

|                                                       | Year ended 31 December |              | Three months ended |              |
|-------------------------------------------------------|------------------------|--------------|--------------------|--------------|
|                                                       | 2015                   | 2016         | 31 March           | 2017         |
|                                                       | RM'000                 | RM'000       | RM'000             | RM'000       |
|                                                       |                        |              | (Unaudited)        |              |
| Revenue                                               | 89,034                 | 97,937       | 22,283             | 27,935       |
| Cost of sales                                         | (68,113)               | (71,074)     | (17,338)           | (19,630)     |
| Gross profit                                          | 20,921                 | 26,863       | 4,945              | 8,305        |
| Other income/(expenses), net                          | 1,597                  | 861          | (256)              | 90           |
| Distribution costs                                    | (2,334)                | (2,609)      | (586)              | (665)        |
| Administrative expenses                               | (12,941)               | (14,262)     | (3,327)            | (3,676)      |
| Interest income                                       | 487                    | 485          | 123                | 128          |
| Finance costs                                         | (1,079)                | (1,155)      | (307)              | (284)        |
| Share of profit/(loss) of a joint venture, net of tax | 235                    | 215          | (3)                | 54           |
| Listing expenses                                      | —                      | (2,404)      | —                  | (2,054)      |
| <b>Profit before income tax expense</b>               | <b>6,886</b>           | <b>7,994</b> | <b>589</b>         | <b>1,898</b> |
| Income tax expense                                    | (1,510)                | (1,326)      | (63)               | (780)        |
| <b>Profit for the year/period</b>                     | <b>5,376</b>           | <b>6,668</b> | <b>526</b>         | <b>1,118</b> |
| Profit (loss) attributable to:                        |                        |              |                    |              |
| Owners of the Company                                 | 5,636                  | 6,826        | 579                | 1,178        |
| Non-controlling interests                             | (260)                  | (158)        | (53)               | (60)         |
|                                                       | <b>5,376</b>           | <b>6,668</b> | <b>526</b>         | <b>1,118</b> |



## FINANCIAL INFORMATION

### PRINCIPAL INCOME STATEMENT COMPONENTS

#### Revenue by product segments

For FY2015 and FY2016, our revenue was RM89.0 million and RM97.9 million, respectively, representing an increase of RM8.9 million (or 10.0%). For 1Q2016 and 1Q2017, our revenue was RM22.3 million and RM27.9 million, respectively, representing an increase of RM5.6 million (or 25.1%). We derived our revenue from sales of products in three segments, namely: (i) elastic textile; (ii) webbing; and (iii) other products including rubber tape and metal component for furniture. Our elastic textile and webbing products in aggregate accounted for 84.9%, 87.1%, 86.6% and 87.4% of our revenue for FY2015, FY2016, 1Q2016 and 1Q2017, respectively.

## FINANCIAL INFORMATION

The table below sets out the revenue, sales volume and average selling price of our principal products for the years and periods indicated:

[illegible]

## FINANCIAL INFORMATION

### *Elastic textile*

Sales of elastic textile products accounted for 52.0%, 54.4%, 53.2% and 50.2% of our revenue for FY2015, FY2016, 1Q2016 and 1Q2017, respectively. Sales of these products increased by RM7.1 million (or 15.4%) from RM46.2 million in FY2015 to RM53.3 million in FY2016; and increased by RM2.2 million (or 18.6%) from RM11.8 million in 1Q2016 to RM14.0 million in 1Q2017.

Sales of covered elastic yarn increased by RM1.7 million (or 6.6%) from RM25.7 million for FY2015 to RM27.4 million for FY2016; and increased by RM0.5 million (or 8.2%) from RM6.1 million for 1Q2016 to RM6.6 million for 1Q2017. The increase in revenue was mainly due to the increase in average selling price from RM32.0 per kg in FY2015 to RM34.5 per kg in FY2016; and from RM31.9 per kg in 1Q2016 to RM37.0 per kg in 1Q2017, which was mainly attributable to the increasing sales of covered elastic yarn of higher price, such as those with spandex or nylon for industrial use and those used as rubber band for food packaging during the Track Record Period.

Sales of narrow elastic fabrics increased by RM5.4 million (or 26.3%) from RM20.5 million in FY2015 to RM25.9 million in FY2016; and increased by RM1.8 million (or 31.6%) from RM5.7 million in 1Q2016 to RM7.5 million in 1Q2017. The growth in sales of narrow elastic fabrics was mainly attributable to (i) the increase in sales volume by 5.5 million metres (or 8.0%), from 68.8 million metres in FY2015 to 74.3 million metres in FY2016; and by 2.0 million metres (or 12.5%) from 16.0 million metres in 1Q2016 to 18.0 million metres in 1Q2017, driven mainly by the increased sales to two of our major customers in Vietnam who are brand owners in the US and Europe and ranked the third and sixth among our top ten customers for FY2016, respectively, as a result of their business expansion in Vietnam; and (ii) the increase in sales volume of products produced by needle weaving process, which had higher unit price as compared to those produced by the knitting process.

### *Webbing*

Our webbing products included (i) furniture webbing and (ii) seat belt webbing, which in aggregate accounted for 32.9%, 32.7%, 33.5% and 37.2% of our revenue for FY2015, FY2016, 1Q2016 and 1Q2017, respectively. Our sales of webbing products increased by RM2.7 million (or 9.2%) from RM29.3 million for FY2015 to RM32.0 million for FY2016; and increased by RM2.9 million (or 38.7%) from RM7.5 million in 1Q2016 to RM10.4 million in 1Q2017.

The revenue generated from furniture webbing remained relatively stable at RM19.0 million for FY2015 and RM18.6 million for FY2016. The sales volume of furniture webbing had dropped slightly from 30.7 million metres in FY2015 to 28.8 million metres (or 6.2%) in FY2016 mainly because order from customers in Malaysia decreased; whereas the average selling price increased from RM0.62 per metre to RM0.65 per metre (or 4.8%) during the same period mainly because we sold less amount of lower price products in FY2016. However, the revenue generated from furniture webbing increased significantly by RM2.5 million (or 55.6%) from RM4.5 million in 1Q2016 to RM7.0 million in 1Q2017. The increase was primarily attributable to (i) the increase in sales volume by 3.0 million metres (or 44.8%) from 6.7 million metres for 1Q2016 to 9.7 million metres for 1Q2017, as a result of increased sales to customers in Vietnam and other countries in the Asia Pacific region such as Sri Lanka, Australia and the Philippines; and (ii) the increase in average selling price by RM0.05 per metre (or 7.5%) from RM0.67 per metre in 1Q2016 to RM0.72 per metre in 1Q2017, mainly because we sold less amount of lower price products in 1Q2017.

## FINANCIAL INFORMATION

Our sales of seat belt webbing increased significantly by RM3.1 million (or 30.1%) from RM10.3 million for FY2015 to RM13.4 million for FY2016, mainly due to the increase in sales volume by 32.3% from 9.6 million metres in FY2015 to 12.7 million metres in FY2016 mainly driven by the sales to a new customer. This customer, which produces and sells seat belt systems in India, started to procure from us in July 2015 and became our second largest customer in FY2016 (“**Customer F**”). Average selling price remained relatively stable which dropped only by 1.9% mainly because of the discounted price offered to this new customer. Sales of seat belt webbing increased by RM0.4 million (or 13.3%) from RM3.0 million in 1Q2016 to RM3.4 million in 1Q2017, which was mainly attributable to the increase in sales volume by 0.4 million metres (or 14.8%) from 2.7 million metres to 3.1 million metres during the said periods, driven primarily by increased sales to Customer F. The average selling price remained relatively stable during the Track Record Period.

### *Other products*

Our other products mainly include rubber tape and metal component for furniture. Some of our narrow elastic fabric and furniture webbing customers also purchased our rubber tapes and metal components for furniture, respectively. The revenue generated from the sales of other products was RM13.5 million, RM12.6 million, RM3.0 million and RM3.5 million for FY2015, FY2016, 1Q2016 and 1Q2017, respectively.

Revenue from rubber tapes decreased by RM1.7 million (or 20.2%) from RM8.4 million for FY2015 to RM6.7 million for FY2016 mainly attributable to (i) the decrease in sales volume of rubber tapes by 93,000 kg (or 17.6%) mostly resulted from the drop in sales to a major customer in the United States; and (ii) the decrease in average selling price by 4.4% mainly because we reduced our price to maintain our market share. However, the sales of rubber tapes increased by RM0.6 million (or 33.3%) from RM1.8 million in 1Q2016 to RM2.4 million in 1Q2017, mainly driven by the pick up on sales to the aforementioned major customer in the United States who procured our higher priced rubber tapes for medical disposable products. Hence, the average selling price for rubber tapes increased by 14.2% as compared to 1Q2016.

Our metal components for furniture, include mainly recliner mechanism for sofas and bed frames, mainly made of steel. We expanded our product mix to include frames for sofas and other smaller sized metal parts in FY2016. These new products generally are of a lower unit price compared to our existing offerings and were well received by our customers. We also started to provide processing services for furniture components in FY2016 which were generally of lower profit margin. As a result, our sales of these products increased from RM5.0 million in FY2015 to RM5.9 million in FY2016 while the average selling price decreased from RM100.8 per set to RM83.7 per set.

Revenue from metal components for furniture in 1Q2017 remained at a similar level as compared to that in 1Q2016. The average selling price for metal components dropped to RM72.4 per set in 1Q2017 from FY2016 as more small sized metal parts of lower unit price were sold in the period.

## FINANCIAL INFORMATION

### Revenue by customer groups

The table below sets out our revenue by customer groups for the years and periods indicated:

|                              | Year ended 31 December |              |               |              | Three months ended 31 March |              |               |              |
|------------------------------|------------------------|--------------|---------------|--------------|-----------------------------|--------------|---------------|--------------|
|                              | 2015                   |              | 2016          |              | 2016                        |              | 2017          |              |
|                              | <i>RM'000</i>          | <i>%</i>     | <i>RM'000</i> | <i>%</i>     | <i>RM'000</i>               | <i>%</i>     | <i>RM'000</i> | <i>%</i>     |
|                              |                        |              |               |              | <i>(Unaudited)</i>          |              |               |              |
| Manufacturers                | 73,179                 | 82.2         | 79,976        | 81.7         | 18,136                      | 81.4         | 22,352        | 80.0         |
| Contractors of manufacturers | 8,694                  | 9.8          | 11,042        | 11.3         | 2,527                       | 11.3         | 3,757         | 13.5         |
| Traders                      | <u>7,161</u>           | <u>8.0</u>   | <u>6,919</u>  | <u>7.0</u>   | <u>1,620</u>                | <u>7.3</u>   | <u>1,826</u>  | <u>6.5</u>   |
|                              | <u>89,034</u>          | <u>100.0</u> | <u>97,937</u> | <u>100.0</u> | <u>22,283</u>               | <u>100.0</u> | <u>27,935</u> | <u>100.0</u> |

Our revenue attributable to each of manufacturers (mainly of branded goods) and contractors of manufacturers increased during the Track Record Period. Weighing of revenue attributable to contractors of manufacturers increased from 9.8% in FY2015 to 13.5% in 1Q2017, while weighing of manufacturers decreased from 82.2% in FY2015 to 80.0% in 1Q2017. The change in weighing was mainly due to the increase in sales of narrow elastic fabrics to contractors of manufacturers in Vietnam in FY2016 and 1Q2017.

We priced our products on, among other factors, raw material cost, intricacy of production process and quality and safety requirements. We adopted the same pricing policy for all our customer groups, namely manufacturers, contractors and traders. To the best knowledge of our Directors, (i) the products procured by manufacturers and contractors are in general more customised while those supplied to traders are more generic and therefore the gross profit margins for sales to manufacturers and contractors are in general similar but higher than those for traders; (ii) gross profit margins varied among different customers and products and across different periods; and (iii) in general, the gross profit margin for products sold to manufacturers and contractors could be up to 15% higher than those to traders.

## FINANCIAL INFORMATION

### Revenue by geographical regions

The following table sets forth the breakdown of our revenue by geographical location for the years and periods indicated:

|                              | Year ended 31 December |                     |                      |                     | Three months ended 31 March |                     |                      |                     |
|------------------------------|------------------------|---------------------|----------------------|---------------------|-----------------------------|---------------------|----------------------|---------------------|
|                              | 2015                   |                     | 2016                 |                     | 2016                        |                     | 2017                 |                     |
|                              | RM'000                 | %                   | RM'000               | %                   | RM'000                      | %                   | RM'000               | %                   |
|                              |                        |                     |                      |                     | <i>(Unaudited)</i>          |                     |                      |                     |
| <b>Domestic</b>              |                        |                     |                      |                     |                             |                     |                      |                     |
| Malaysia <i>(Note 1)</i>     | 11,693                 | 13.1                | 9,751                | 10.0                | 2,640                       | 11.8                | 1,965                | 7.0                 |
| Vietnam                      | <u>27,568</u>          | <u>31.0</u>         | <u>35,413</u>        | <u>36.1</u>         | <u>7,630</u>                | <u>34.2</u>         | <u>11,098</u>        | <u>39.8</u>         |
|                              | 39,261                 | 44.1                | 45,164               | 46.1                | 10,270                      | 46.0                | 13,063               | 46.8                |
| <b>Export</b>                |                        |                     |                      |                     |                             |                     |                      |                     |
| Asia Pacific <i>(Note 2)</i> | 21,275                 | 23.9                | 27,077               | 27.7                | 4,943                       | 22.2                | 8,164                | 29.2                |
| Europe <i>(Note 3)</i>       | 11,918                 | 13.4                | 13,290               | 13.6                | 3,336                       | 15.0                | 3,301                | 11.8                |
| North America                | 14,804                 | 16.6                | 11,556               | 11.8                | 3,402                       | 15.3                | 3,124                | 11.2                |
| Others                       | <u>1,776</u>           | <u>2.0</u>          | <u>850</u>           | <u>0.8</u>          | <u>332</u>                  | <u>1.5</u>          | <u>283</u>           | <u>1.0</u>          |
|                              | <u>49,773</u>          | <u>55.9</u>         | <u>52,773</u>        | <u>53.9</u>         | <u>12,013</u>               | <u>54.0</u>         | <u>14,872</u>        | <u>53.2</u>         |
| <b>Total</b>                 | <u><u>89,034</u></u>   | <u><u>100.0</u></u> | <u><u>97,937</u></u> | <u><u>100.0</u></u> | <u><u>22,283</u></u>        | <u><u>100.0</u></u> | <u><u>27,935</u></u> | <u><u>100.0</u></u> |

*Notes:*

1. Sales amount decreased during the Track Record Period mainly due to the decrease in sales of furniture webbing. See “Principal Income Statement Components — Revenue by product segments — Webbing” in this section for further details.
2. Including Australia, Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Japan, Korea, New Zealand, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan and Thailand.
3. Including Belgium, France, Germany, Italy, Netherlands, Poland, Portugal, Romania, Spain, Sweden and the United Kingdom.

Domestic sales and export sales accounted for around 45% and 55% of our revenue, respectively, during the Track Record Period. Vietnam was our largest market which accounted for an increasing weighing of our revenue during the same period, mainly driven by the continuous growth in production activity in this country. See “Industry Overview” in this prospectus for further details. Asia Pacific was our largest export market which also accounted for an increasing weighing of our revenue during the Track Record Period. Our growth in this region was mainly driven by the increasing demand for seat belt webbing, and covered elastic yarn from developing countries such as India, Sri Lanka and Bangladesh, which also witnessed development of manufacturing industries in recent years. Our sales to Australia also increased as a result of our marketing effort, which included joining trade fairs and exhibitions in various countries to promote our products.

We adopted the same pricing policy for all our customers, regardless of their geographical regions. To the best knowledge of our Directors, there was no consistent variance in gross profit margins for sales to different regions during the Track Record Period because of our broad customer base and

## FINANCIAL INFORMATION

product mix. However, our Directors consider that the gross profit margins for sales in Vietnam during the Track Record Period were in general higher than these in other countries, in particular for covered elastic yarn which recorded a price difference in the range from 30% to 90%, mainly because we sold large volume of high specification products to certain manufacturing customers in Vietnam which was our largest market during the same period.

### Cost of sales

Our cost of sales mainly included (i) raw materials; (ii) labour costs including the salary and benefits of production workers; (iii) fuel and utilities; (iv) depreciation charges for land, building and machinery for production; (v) repair and maintenance; (vi) certain packaging material costs; and (vii) rental expenses for land and buildings which form part of our production facilities and house certain machineries. Our total cost of sales were RM68.1 million, RM71.1 million, RM17.3 million and RM19.6 million for FY2015, FY2016, 1Q2016 and 1Q2017, respectively. The increase in the total cost of sales was mainly due to the increase in sales volume in the corresponding year and period. The table below sets forth a breakdown of our cost of sales by nature of expenses for the years and periods indicated:

|                                                  | Year ended 31 December |              |               |              | Three months ended 31 March |              |               |              |
|--------------------------------------------------|------------------------|--------------|---------------|--------------|-----------------------------|--------------|---------------|--------------|
|                                                  | 2015                   |              | 2016          |              | 2016                        |              | 2017          |              |
|                                                  | RM'000                 | %            | RM'000        | %            | RM'000                      | %            | RM'000        | %            |
|                                                  | <i>(Unaudited)</i>     |              |               |              |                             |              |               |              |
| Cost of raw materials                            | 37,812                 | 55.5         | 38,011        | 53.5         | 8,930                       | 51.5         | 10,424        | 53.1         |
| — Yarn                                           | 21,379                 | 31.4         | 21,642        | 30.4         | 5,069                       | 29.2         | 6,288         | 32.0         |
| — Rubber                                         | 11,131                 | 16.3         | 9,491         | 13.4         | 2,253                       | 13.0         | 2,967         | 15.1         |
| — Steel                                          | 1,181                  | 1.7          | 2,875         | 4.0          | 481                         | 2.8          | 403           | 2.1          |
| — Colour dye                                     | 1,780                  | 2.6          | 1,839         | 2.6          | 400                         | 2.3          | 108           | 0.6          |
| — Chemicals                                      | 1,010                  | 1.5          | 1,152         | 1.6          | 221                         | 1.3          | 439           | 2.2          |
| — Others                                         | 1,331                  | 2.0          | 1,012         | 1.5          | 506                         | 2.9          | 219           | 1.1          |
| Labour costs                                     | 14,440                 | 21.2         | 17,714        | 24.9         | 4,167                       | 24.0         | 5,229         | 26.6         |
| Fuel and utilities                               | 4,093                  | 6.0          | 4,423         | 6.2          | 1,054                       | 6.1          | 1,131         | 5.8          |
| Depreciation of property,<br>plant and equipment | 3,397                  | 5.0          | 3,065         | 4.3          | 837                         | 4.8          | 717           | 3.7          |
| Repair and maintenance                           | 2,434                  | 3.6          | 2,618         | 3.7          | 588                         | 3.4          | 743           | 3.8          |
| Packaging materials                              | 775                    | 1.1          | 916           | 1.3          | 201                         | 1.2          | 237           | 1.2          |
| Rental expenses                                  | 493                    | 0.7          | 530           | 0.7          | 131                         | 0.8          | 137           | 0.7          |
| Other expenses                                   | 4,669                  | 6.9          | 3,797         | 5.4          | 1,430                       | 8.2          | 1,012         | 5.1          |
| <b>Total cost of sales</b>                       | <b>68,113</b>          | <b>100.0</b> | <b>71,074</b> | <b>100.0</b> | <b>17,338</b>               | <b>100.0</b> | <b>19,630</b> | <b>100.0</b> |

### Raw materials

Raw materials was the main component of cost of sales, accounting for 55.5%, 53.5%, 51.5% and 53.1% of our total cost of sales for FY2015, FY2016, 1Q2016 and 1Q2017, respectively. During the Track Record Period, the price of the majority of our principal raw materials, such as spandex and nylon (for the production of covered elastic yarn and narrow elastic fabric), polypropylene yarn (for the production of furniture webbing) and polyester high tenacity filament yarn (for the production of seat belt webbing) experienced an overall downward trend; whereas the price of rubber and natural rubber thread (for the production of covered elastic yarn, narrow elastic fabric, furniture webbing and rubber tape), which was in a decreasing trend for most of the time during the Track Record Period, rebounded

## FINANCIAL INFORMATION

since the fourth quarter of 2016. As a result, we recorded a marginal increase in total raw material costs by RM0.2 million (or 0.5%) from RM37.8 million for FY2015 to RM38.0 million for FY2016, notwithstanding the increase in revenue of 10.0% in the same period. Our total cost of raw material increased by RM1.5 million (or 16.9%) from RM8.9 million for 1Q2016 to RM10.4 million for 1Q2017, mainly due to the increase in revenue of by RM5.6 million (or 25.1%) from RM22.3 million to RM27.9 million in the same period, and also partly attributable to the increase in the price of certain raw materials such as the price of rubber which rebounded in the fourth quarter of 2016 and increased throughout 1Q2017. See “Industry Overview — Raw Material Price Analysis” in this prospectus for further details on the movement of principal raw material price during the Track Record Period.

### *Labour costs*

Labour costs was the second largest component of cost of sales during the Track Record Period. The total number of workers remained stable at 894, 902 and 908 as at 31 December 2015 and 2016 and 31 March 2017, respectively. Among these workers, 737, 739 and 743 were hired by our subsidiaries in Vietnam, accounting for approximately 82% of our total number of workers.

Our labour costs increased by RM3.3 million (or 22.9%) from RM14.4 million for FY2015 to RM17.7 million for FY2016, whilst labour cost per head increased by 23.1% from RM1,300 per month in FY2015 to RM1,600 per month in FY2016. The increase was mainly due to (i) the increase in salary paid to our workers in Dong Nai Province in Vietnam as a result of the increase in statutory minimum wage from VND3.1 million (equivalent to RM589) per month to VND3.5 million (equivalent to RM665) per month effective on 1 January 2016, representing an increase of 12.9%; (ii) the increase in salary paid to our workers in Malaysia as a result of the increase in statutory minimum wage by 11.1% from RM900 per month to RM1,000 per month effective on 1 July 2016; and (iii) payment of incentive bonus of RM1.2 million in FY2016 compared to RM0.7 million in FY2015.

Our labour cost increased by RM1.0 million (or 23.8%) from RM4.2 million in 1Q2016 to RM5.2 million in 1Q2017, whilst labour cost per head increased by 20.8% from RM1,590 per month in 1Q2016 to RM1,920 per month in 1Q2017. The increase was mainly due to (i) the increase in salary paid to workers in Vietnam as driven by the increase of statutory minimum wage of Dong Nai Province in Vietnam from VND3.5 million (equivalent to RM665) per month to VND3.75 million (equivalent to RM713) per month effective on 1 January 2017, representing an increase of 7.1%; and (ii) general salary increase of up to 5% effective from 1 January 2017.

### *Fuel and utilities*

Our fuel and utilities expenses, which mainly included electricity, gas, water, steam, refuse removal and communications expenses, slightly increased from RM4.1 million in FY2015 to RM4.4 million in FY2016, which accounted for 6.0% and 6.2% of our total cost of sales, respectively. Our fuel and utilities expenses remained stable at RM1.1 million for both 1Q2016 and 1Q2017.

### *Depreciation*

This represented depreciation charged on property, plant and equipment in relation to our production operations, which accounted for 5.0%, 4.3%, 4.8% and 3.7% of our total cost of sales for FY2015, FY2016, 1Q2016 and 1Q2017 respectively. Our depreciation expenses decreased by RM0.3 million (or 8.8%) from RM3.4 million for FY2015 to RM3.1 million for FY2016, and also decreased by RM0.1 million (or 12.5%) from RM0.8 million for 1Q2016 to RM0.7 million for 1Q2017, since certain of our fixed assets became fully depreciated during FY2016 and 1Q2017.



## FINANCIAL INFORMATION

### *Repair and maintenance*

Our repair and maintenance expenses, which included the upkeeping costs of our production machineries, remained relatively stable at RM2.4 million and RM2.6 million for FY2015 and FY2016, and RM0.6 million and RM0.7 million for 1Q2016 and 1Q2017, accounting for 3.6% and 3.7%, 3.4% and 3.8% of our total costs of sales for the respective years and periods.

### *Packaging materials*

Our packaging material costs remained relatively stable at RM0.8 million and RM0.9 million for FY2015 and FY2016, and RM0.2 million and RM0.2 million for 1Q2016 and 1Q2017, which accounted for 1.1%, 1.3%, 1.2% and 1.2% of our total costs of sales for the respective years and periods.

### *Rental expenses*

This represented the rental expenses for our leased properties, including three parcels of land in Vietnam and a factory building together with the underlying site in Malaysia. Our rental expenses remained stable at RM0.5 million for each of FY2015 and FY2016, and at RM0.1 million for each of 1Q2016 and 1Q2017, which accounted for 0.7%, 0.7%, 0.8% and 0.7% of our total cost of sales for the respective years and periods. See “Business — Properties” in this prospectus for further details of our leased properties.

### *Other expenses*

This mainly represented the processing fee for dyeing certain yarns as the raw material for narrow elastic fabric, costs of chemicals for waste water treatment, consumables, security and insurance charges, printing and stationery expenses and others. Also included in the balance is the changes in inventories representing the net movements of costs of goods produced but not yet sold in the year.

The decrease of RM0.9 million from RM4.7 million in FY2015 to RM3.8 million in FY2016 was mainly due to the reallocation of cost of sales to inventory (representing the cost of products produced but not yet sold in the year) amounted to RM1.3 million, partially offset by increase in processing fee by RM0.6 million as a result of the increase in production volume of narrow elastic fabric. The decrease in other expenses from RM1.4 million in 1Q2016 to RM1.0 million in 1Q2017 was also mainly due to the reallocation of cost of sales to inventory in 1Q2017.

## FINANCIAL INFORMATION

### *Sensitivity analysis*

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our cost of sales by 1%, 2% and 5% on our profit before tax for each of FY2015, FY2016 and 1Q2017:

|        | <b>(Decrease)/Increase in our profit before tax<br/>for the year/period if our cost of sales<br/>increases/decreases</b> |               |               |
|--------|--------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
|        | <b>by 1%</b>                                                                                                             | <b>by 2%</b>  | <b>by 5%</b>  |
|        | <i>RM'000</i>                                                                                                            | <i>RM'000</i> | <i>RM'000</i> |
| FY2015 | (681)/681                                                                                                                | (1,362)/1,362 | (3,406)/3,406 |
| FY2016 | (711)/711                                                                                                                | (1,421)/1,421 | (3,554)/3,554 |
| 1Q2016 | (173)/173                                                                                                                | (347)/347     | (867)/867     |
| 1Q2017 | (196)/196                                                                                                                | (393)/393     | (982)/982     |

See “Financial Information — Significant Factors affecting our Results of Operations and Financial Position of our Group — Raw material price” and “— Labour costs” in this section above for further details on the sensitivity analysis for our raw material costs and labour costs.

### **Gross profit and gross profit margin**

Gross profit represents our revenue less cost of sales. Gross profit margin represented gross profit as a percentage of revenue. The following table sets out the gross profit and gross profit margin by product segments for the years and periods indicated:

|                                  | <b>Year ended 31 December</b> |                            |                     |                            | <b>Three months ended 31 March</b> |                            |                     |                            |
|----------------------------------|-------------------------------|----------------------------|---------------------|----------------------------|------------------------------------|----------------------------|---------------------|----------------------------|
|                                  | <b>2015</b>                   |                            | <b>2016</b>         |                            | <b>2016</b>                        |                            | <b>2017</b>         |                            |
|                                  | <b>Gross Profit</b>           | <b>Gross Profit Margin</b> | <b>Gross Profit</b> | <b>Gross Profit Margin</b> | <b>Gross Profit</b>                | <b>Gross Profit Margin</b> | <b>Gross Profit</b> | <b>Gross Profit Margin</b> |
|                                  | <i>RM'000</i>                 | %                          | <i>RM'000</i>       | %                          | <i>RM'000</i>                      | %                          | <i>RM'000</i>       | %                          |
| Elastic textile                  |                               |                            |                     |                            |                                    |                            |                     |                            |
| — Covered elastic yarn           | 9,517                         | 37.0                       | 10,781              | 39.4                       | 2,294                              | 37.6                       | 2,852               | 43.3                       |
| — Narrow elastic fabric          | 3,527                         | 17.2                       | 4,856               | 18.7                       | 511                                | 8.9                        | 1,757               | 23.6                       |
|                                  | 13,044                        | 28.1                       | 15,637              | 29.3                       | 2,805                              | 23.7                       | 4,609               | 32.8                       |
| Webbing                          |                               |                            |                     |                            |                                    |                            |                     |                            |
| — Furniture webbing              | 3,423                         | 18.0                       | 4,800               | 25.8                       | 876                                | 19.5                       | 1,417               | 20.4                       |
| — Seat belt webbing              | 2,856                         | 27.7                       | 4,845               | 36.1                       | 942                                | 31.7                       | 1,583               | 46.3                       |
|                                  | 6,279                         | 21.5                       | 9,645               | 30.0                       | 1,818                              | 24.4                       | 3,000               | 28.9                       |
| Other products                   |                               |                            |                     |                            |                                    |                            |                     |                            |
| — Rubber tape                    | 1,832                         | 21.7                       | 1,691               | 25.3                       | 438                                | 24.6                       | 748                 | 31.7                       |
| — Metal components for furniture | (234)                         | (4.7)                      | (110)               | (1.9)                      | (116)                              | (9.7)                      | (52)                | (4.6)                      |
|                                  | 1,598                         | 11.9                       | 1,581               | 12.7                       | 322                                | 10.8                       | 696                 | 19.8                       |
|                                  | <u>20,921</u>                 | <u>23.5</u>                | <u>26,863</u>       | <u>27.5</u>                | <u>4,945</u>                       | <u>22.2</u>                | <u>8,305</u>        | <u>29.7</u>                |

## FINANCIAL INFORMATION

Our gross profit increased from RM20.9 million for FY2015 to RM26.9 million for FY2016, which represented an increment of RM6.0 million (or 28.7%). Our gross profit also increased from RM4.9 million for 1Q2016 to RM8.3 million for 1Q2017, represented an increment of RM3.4 million (or 69.4%). The increase in our gross profit during the Track Record Period was primarily due to (i) the increase in revenue by RM8.9 million (or 10.0%) from FY2015 to FY2016 and the increase in revenue by RM5.6 million (or 25.1%) from 1Q2016 to 1Q2017 resulting from the increase in sales volume and/or average selling price of our elastic textile and webbing products; and (ii) the increase in total cost of sales of a lesser extent, by only RM3.0 million (or 4.4%) from FY2015 to FY2016 and RM2.3 million (or 13.2%) from 1Q2016 to 1Q2017, respectively, mainly because of the drop in price for most of our principal raw materials in FY2016.

Set out below are the primary drivers for the increase in our gross profit and gross profit margins by product segments during the Track Record Period.

### *Elastic textile*

The gross profit margins of our elastic textile products for FY2016 were higher than those for FY2015 mainly due to (i) the increase in the average selling price for our covered elastic yarn from RM32.0 per kg to RM34.5 per kg, and for narrow elastic fabric from RM0.30 per metre to RM0.35 per metre, as we were able to maintain the stability of selling price of our products in general and sold more higher specification products (such as covered elastic yarn using spandex or nylon cores for industrial use and weaved narrow elastic fabric) which commanded a higher selling price; and (ii) the decrease in price of certain principal raw materials, such as spandex yarn which decreased by 3.9% in FY2016.

Continuing with the trend in FY2016, the portion of higher priced products sold increased further. The average selling price of our covered elastic yarn further increased from RM34.5 per kg for FY2016 to RM37.0 per kg for 1Q2017, and the average selling price of our narrow elastic fabric increased from RM0.35 per metre for FY2016 to RM0.41 per metre for 1Q2017. Hence, the gross profit margins of our elastic textile products increased further for 1Q2017 versus FY2016.

The overall gross profit margin of our elastic textile products decreased from 28.1% for FY2015 to 23.7% for 1Q2016, mainly due to the lower production volume in 1Q2016, in particular for narrow elastic fabric. The utilisation rate of the production capacity of narrow elastic fabric in 1Q2016 was 70.7% as compared to 98.0% in FY2015. The purchase orders for narrow elastic fabric of certain customers in FY2016 were mainly placed in the second to fourth quarters that year, which, to the best knowledge of our Directors, was due to their more intensive production schedule during such period, and therefore relatively less purchase orders were placed in 1Q2016. Despite the relatively less sales volume in 1Q2016, the overall sales volume of narrow elastic fabric increased by 5.5 million metres (or 8.0%) in FY2016 versus FY2015, which is mainly attributable to the sales order placed in second to fourth quarters mentioned above. The lower sales and production volume in 1Q2016 resulted in a relatively lower utilisation rate for the production facilities and thus a higher sharing of fixed production cost such as labour and depreciation among the products produced that contributed to the lower gross profit margin during the same period.

The gross profit margins of our webbing products for FY2016 were higher than those for FY2015 mainly because (i) we recorded a 4.8% increase in average selling price for furniture webbing because of selling less amount of lower specification products with lower price; (ii) we maintained the average selling price of seat belt webbing at relatively stable level which reduced by only 1.9% in FY2016; and (iii) the decrease in price of certain principal raw materials such as polypropylene yarn for furniture webbing and polyester high tenacity filament yarn for seat belt webbing in the range from 5.3% to 11.8%.

## FINANCIAL INFORMATION

The gross profit margin for furniture webbing decreased from 25.8% for FY2016 to 20.4% for 1Q2017 mainly due to the increase in cost of natural rubber thread used as raw material for furniture webbing as the market price of rubber rebounded in the fourth quarter of 2016 and increased throughout 1Q2017. The increase in average selling price in 1Q2017 versus FY2016 was unable to absorb the increase in raw material cost in full. On the other hand, the gross profit margin for seat belt webbing increased from 36.1% for FY2016 to 46.3% for 1Q2017 mainly because of the higher utilisation rate of production facilities in 1Q2017 that reduced the weighing of fixed production overheads versus the respective revenue. As the revenue from furniture webbing almost doubled that from seat belt webbing in 1Q2017, the counteracting changes in their gross profit margins resulted in a slight decrease in overall gross profit margin of webbing products by 1.1 percent points in 1Q2017 versus FY2016.

The overall gross profit margin of webbing products increased from 21.5% for FY2015 to 24.4% for 1Q2016 following the increasing trend in FY2016. Nevertheless, gross profit margins for 1Q2016 were lower than those for FY2016 and 1Q2017 which, to the best knowledge of the Directors, was mainly attributable to the surge in average selling price of the Group's products after 1Q2016 as well as the lower utilisation rate of the production facilities for 1Q2016 versus FY2016 and 1Q2017. For instance, the utilisation rate of the production facilities for furniture webbing was 59.5%, 72.5% and 79.8% for 1Q2016, FY2016 and 1Q2017, respectively; whilst the utilisation rate for seat belt webbing was 68.6%, 92.4% and 115.8% for the same periods, respectively.

### *Other products*

The gross profit margin of rubber tape increased from 21.7% for FY2015 to 25.3% for FY2016, which was mainly due to the modification of production process for rubber tapes in March 2016 which enhanced the production efficiency and reduced raw material wastage by 4.2 percentage points in FY2016 as compared to FY2015. The gross profit margin of rubber tape increased from 25.3% for FY2016 to 31.7% for 1Q2017 mainly due to (i) the increase in average selling price of rubber tapes from RM15.3 per kg for FY2016 to RM17.7 per kg for 1Q2017, resulting from the pick up on sales to a customer in the United States who procured our higher priced rubber tapes for medical disposable products; (ii) the rubber we procured before the price increment had raised our costs of sales to a lesser extent than the rise in our product selling price; and (iii) the reduction of material wastage by two percentage points resulting from our effort to improve production efficiency.

We offered metal components for furniture as some of our elastic webbing customers also required these products. It represented less than 6.2% of our revenue during the Track Record Period and was not our major source of income. The business operation was conducted through FCV (VN), our subsidiary prior to 14 September 2017, which was loss making during the Track Record Period as the utilisation rate of its production facilities remained low at 44.2%, 66.7% and 67.3% in FY2015, FY2016 and 1Q2017, respectively. As disclosed in "History, Reorganisation and Corporate Structure — Significant Shareholding Changes in Members of our Group during the Track Record Period and up to the Latest Practicable Date — FCV (VN)", we entered into an agreement with an Independent Third Party pursuant to which we disposed of certain of our equity interest in FCV (VN) whose registered charter capital was also increased effective on 14 September 2017 and since then, FCV (VN) became our associate and its results of operation will cease to be consolidated into our Group.

## FINANCIAL INFORMATION

### Other income/(expenses), net

Our other income/(expenses), net included mainly (i) net foreign exchange gains; (ii) sales of scrap materials to third parties; and (iii) net loss or gain on disposal of property, plant and equipment. The following table sets forth the breakdown of other income, net:

|                                                          | Year ended 31 December |              |            |              | Three months ended 31 March |              |           |              |
|----------------------------------------------------------|------------------------|--------------|------------|--------------|-----------------------------|--------------|-----------|--------------|
|                                                          | 2015                   |              | 2016       |              | 2016                        |              | 2017      |              |
|                                                          | RM'000                 | %            | RM'000     | %            | RM'000                      | %            | RM'000    | %            |
|                                                          |                        |              |            |              | <i>(Unaudited)</i>          |              |           |              |
| Gain/(loss) on foreign exchange, net                     | 1,063                  | 66.6         | 261        | 30.3         | (297)                       | 116.0        | (79)      | -87.8        |
| Sales of scrap                                           | 202                    | 12.6         | 205        | 23.8         | 22                          | -8.6         | 81        | 90.0         |
| (Loss)/gain on disposal of property, plant and equipment | (120)                  | (7.5)        | 118        | 13.7         | —                           | 0.0          | 9         | 10.0         |
| Commission income                                        | 82                     | 5.1          | 75         | 8.7          | 12                          | -4.7         | 26        | 28.9         |
| Others                                                   | 370                    | 23.2         | 202        | 23.5         | 7                           | -2.7         | 53        | 58.9         |
|                                                          | <u>1,597</u>           | <u>100.0</u> | <u>861</u> | <u>100.0</u> | <u>(256)</u>                | <u>100.0</u> | <u>90</u> | <u>100.0</u> |

Decrease in other income in FY2016 was mainly due to the drop in net gain on foreign exchange by RM0.8 million as the depreciation of RM and VND against US dollars was less than that for FY2015. RM and VND depreciated for 18.4% and 4.9% against US dollars in FY2015, while the depreciation slowed down to 4.2% and 1.3% in FY2016, respectively.

We had other expenses of RM256,000 for 1Q2016 and other income of RM90,000 in 1Q2017, mainly because of the decrease in net loss on foreign exchange from RM297,000 in 1Q2016 to RM79,000 in 1Q2017 due to the sharper depreciation of USD against RM towards the end of March 2016. The net income in 1Q2017 was also partially contributed by the increase in sales of obsolete inventories by RM59,000 in 1Q2017.

## FINANCIAL INFORMATION

### Distribution costs

Our distribution costs mainly included (i) transportation expenses and custom declaration charges for the delivery and shipment of our products; (ii) advertising and marketing expenses; and (iii) salaries of our employees who performed the foregoing functions.

Our distribution costs were RM2.3 million, RM2.6 million, RM0.6 million and RM0.7 million for FY2015, FY2016, 1Q2016 and 1Q2017, respectively, representing 2.6%, 2.7%, 2.6% and 2.4% of our revenue for the respective years and periods. The following table sets forth the breakdown of our distribution cost for the years and periods indicated:

|                                                        | Year ended 31 December |              |              |              | Three months ended 31 March |              |            |              |
|--------------------------------------------------------|------------------------|--------------|--------------|--------------|-----------------------------|--------------|------------|--------------|
|                                                        | 2015                   |              | 2016         |              | 2016                        |              | 2017       |              |
|                                                        | RM'000                 | %            | RM'000       | %            | RM'000                      | %            | RM'000     | %            |
|                                                        |                        |              |              |              | <i>(Unaudited)</i>          |              |            |              |
| Transportation expenses and custom declaration charges | 1,266                  | 54.2         | 1,357        | 52.0         | 315                         | 53.8         | 382        | 57.4         |
| Commission expenses                                    | 530                    | 22.7         | 693          | 26.6         | 133                         | 22.7         | 68         | 10.2         |
| Salaries                                               | 307                    | 13.2         | 321          | 12.3         | 73                          | 12.5         | 102        | 15.3         |
| Advertising and marketing expenses                     | 80                     | 3.4          | 109          | 4.2          | 24                          | 4.1          | 30         | 4.5          |
| Others                                                 | 151                    | 6.5          | 129          | 4.9          | 41                          | 6.9          | 83         | 12.6         |
| Total                                                  | <u>2,334</u>           | <u>100.0</u> | <u>2,609</u> | <u>100.0</u> | <u>586</u>                  | <u>100.0</u> | <u>665</u> | <u>100.0</u> |

*Note:* Others mainly included custom duties, stationaries and travelling expenses.

Distribution costs increased by RM0.3 million (or 13.0%) from RM2.3 million for FY2015 to RM2.6 million for FY2016, mainly attributable to the increase in transportation expenses and custom declaration charges of RM0.1 million, and the increase in commission expenses of RM0.2 million due to the increase in sales volume in FY2016.

Distribution costs increased by RM0.1 million (or 16.7%) from RM0.6 million for 1Q2016 to RM0.7 million for 1Q2017, mainly attributable to the increase in transportation expenses and custom declaration charges of RM0.1 million along with the growth in sales volume in 1Q2017.

## FINANCIAL INFORMATION

### Administrative expenses

Our administrative expenses mainly included salaries for our management and administrative staff, depreciation of property, plant and equipment not directly used for production, and other miscellaneous costs. For FY2015, FY2016, 1Q2016 and 1Q2017, our administrative costs were RM12.9 million, RM14.3 million, RM3.3 million and RM3.7 million which represented 14.5%, 14.6%, 14.8% and 13.3% of our revenue for the respective years and periods, respectively. The following table sets out a breakdown of our administrative expenses for the years and periods indicated:

|                                                  | Year ended 31 December |              |               |              | Three months ended 31 March |              |              |              |
|--------------------------------------------------|------------------------|--------------|---------------|--------------|-----------------------------|--------------|--------------|--------------|
|                                                  | 2015                   |              | 2016          |              | 2016                        |              | 2017         |              |
|                                                  | RM'000                 | %            | RM'000        | %            | RM'000                      | %            | RM'000       | %            |
|                                                  |                        |              |               |              | <i>(Unaudited)</i>          |              |              |              |
| Salaries                                         | 9,504                  | 73.5         | 10,848        | 76.1         | 2,518                       | 75.7         | 2,735        | 74.4         |
| Travelling expenses                              | 350                    | 2.7          | 359           | 2.5          | 55                          | 1.7          | 157          | 4.3          |
| Depreciation of property,<br>plant and equipment | 599                    | 4.6          | 569           | 4.0          | 124                         | 3.7          | 145          | 3.9          |
| Printing and office expenses                     | 437                    | 3.4          | 424           | 3.0          | 115                         | 3.4          | 133          | 3.6          |
| Motor vehicle maintenance                        | 267                    | 2.1          | 258           | 1.8          | 57                          | 1.7          | 56           | 1.5          |
| Rental expenses                                  | 181                    | 1.4          | 230           | 1.6          | 53                          | 1.6          | 50           | 1.4          |
| Insurance                                        | 182                    | 1.4          | 193           | 1.4          | 55                          | 1.7          | 42           | 1.1          |
| Auditors' remuneration                           | 146                    | 1.1          | 147           | 1.0          | 39                          | 1.2          | 39           | 1.1          |
| Telephone & fax                                  | 96                     | 0.7          | 97            | 0.7          | 22                          | 0.7          | 22           | 0.6          |
| Others <i>(Note)</i>                             | 1,179                  | 9.1          | 1,137         | 7.9          | 289                         | 8.6          | 297          | 8.1          |
| <b>Total</b>                                     | <b>12,941</b>          | <b>100.0</b> | <b>14,262</b> | <b>100.0</b> | <b>3,327</b>                | <b>100.0</b> | <b>3,676</b> | <b>100.0</b> |

*Note:* Others mainly included licence fees, staff training expenses, company secretarial fees, quality certification fees and donations.

The increase in administrative expenses from FY2015 to FY2016 was mainly due to the increase in salaries for our headquarters and administrative staff by RM1.3 million resulting from the (i) payment of incentive bonus of RM1.5 million in FY2016 compared to RM0.9 million paid in FY2015; (ii) salary for a new general manager in each of our sales and marketing department and production department in Malaysia; and (iii) general increase in monthly salary in FY2016. The increase in administrative expenses from 1Q2016 to 1Q2017 was mainly due to the general increase in salary of up to 5% effective from 1 January 2017.

### Interest income

Our interest income represented interest from fixed deposits and bank balances amounting to RM0.1 million in aggregate for each of the years and periods in the Track Record Period, and interest from loan to a fellow subsidiary amounting to RM0.4 million for each of FY2015 and FY2016 and RM0.1 million for each of 1Q2016 and 1Q2017. Our Directors confirm that the loan to a fellow subsidiary was fully repaid before the Listing. See “Principal Financial Position Items — Amounts due to/from related parties” in this section below for further details.

## FINANCIAL INFORMATION

### Finance costs

Our finance costs represented bank charges and interest expenses on bank overdrafts, bank borrowings and obligations under finance leases, accounting for 13.5%, 12.6%, 34.3% and 13.0% of our profit before interest and tax for FY2015, FY2016, 1Q2016 and 1Q2017, respectively. The following table sets out a breakdown of our finance costs for the years and periods indicated:

|                                            | Year ended 31 December |                     | Three months ended 31 March   |                   |
|--------------------------------------------|------------------------|---------------------|-------------------------------|-------------------|
|                                            | 2015<br>RM'000         | 2016<br>RM'000      | 2016<br>RM'000<br>(Unaudited) | 2017<br>RM'000    |
| <b>Finance costs arising from</b>          |                        |                     |                               |                   |
| Bank overdrafts                            | 16                     | 16                  | 5                             | 3                 |
| Bank borrowings <sup>(Note)</sup>          | 847                    | 981                 | 255                           | 258               |
| Amount due to the ultimate holding company | 191                    | 128                 | 42                            | 13                |
| Obligations under finance leases           | <u>25</u>              | <u>30</u>           | <u>5</u>                      | <u>10</u>         |
| <b>Total</b>                               | <u><u>1,079</u></u>    | <u><u>1,155</u></u> | <u><u>307</u></u>             | <u><u>284</u></u> |

Our interest coverage ratio was 7.4, 7.9, 2.9 and 7.7 times in FY2015, FY2016, 1Q2016 and 1Q2017, respectively.

*Note:* Include interest expenses arising from bills payables.

### Share of profit of a joint venture, net of tax

We shared a profit of RM0.2 million, RM0.2 million and RM54,000 for FY2015, FY2016 and 1Q2017, respectively; and a loss of RM3,000 for 1Q2016, from our joint venture, namely TNV (VN). For further details on our interest in TNV (VN), see Note 18 to the Accountant's Report.

### Listing expenses

The total expenses for the Listing (assuming that the Offer Size Adjustment Option is not exercised) are estimated to be RM14.9 million (equivalent to HK\$27.4 million), of which RM4.4 million (equivalent to HK\$8.1 million) is directly attributable to the issue of the Offer Shares in the Share Offer and to be accounted for as a deduction from equity upon Listing. The remaining expenses of RM10.5 million (equivalent to HK\$19.3 million), was/will be charged as expenses to our consolidated statements of profit or loss, of which RM2.4 million (equivalent to HK\$4.4 million) and RM2.1 million (equivalent to HK\$3.9 million) were charged for FY2016 and 1Q2017, respectively, whilst the balance of RM6.0 million (equivalent to HK\$11.0 million) is expected to be charged in FY2017.

The recognition of Listing expenses is expected to affect our financial results for FY2017. The estimated Listing expenses of our Group are subject to adjustments based on the actual amount of expenses incurred/to be incurred by our Company upon completion of the Listing. Our Directors would like to emphasise that such cost is a current estimate for reference only, and the final amount to be recognised in the consolidated statement of profit or loss for FY2017 of our Group or to be capitalised is subject to adjustment based on audit and the then changes in variables and assumptions.



## FINANCIAL INFORMATION

### Income tax expense

The corporate tax rate applicable to our Company and subsidiaries incorporated in Malaysia was 25.0% for FY2015 and 24.0% for each of FY2016 and 1Q2017. The income tax rate applicable to our subsidiaries established in Vietnam was 15% throughout the Track Record Period. Our Directors confirmed, as at the Latest Practicable Date, that we had made all required tax filings in all relevant jurisdictions and paid all tax liabilities that had become due. We were not subject to any dispute or potential dispute with any tax authorities. Further details on our income tax expense are set out in Note 14 to the Accountant's Report.

Our income tax expenses were RM1.5 million, RM1.3 million, RM63,000 and RM0.8 million, representing an effective tax rate of 21.7%, 16.3%, 10.7% and 42.1%, for FY2015, FY2016, 1Q2016 and 1Q2017, respectively. The decrease in effective tax rate in FY2016 was mainly due to (i) the decrease in tax rate from 25% to 24% in Malaysia in FY2016; (ii) a higher portion of profit before tax being derived from our Vietnamese subsidiaries in FY2016 which were entitled to a preferential income tax rate of 15% (as compared to the standard income tax rate of 20%); and (iii) overprovision of income and deferred tax expenses amounting to RM0.3 million in aggregate in FY2015.

The effective tax rate for 1Q2016 dropped to 10.7% compared with 21.7% for FY2015 mainly attributable to the overprovision of income and deferred tax in aggregate for RM0.3 million in FY2015, while the effective tax rate for 1Q2017 increased to 42.1% from 16.3% for FY2016 mainly due to (i) tax losses previously not recognised for one of our subsidiaries in Vietnam setting off part of the taxable income in FY2016; and (ii) the Listing expenses of RM2.1 million incurred in the period. The effective tax rate for 1Q2017 would be 20.0% if the impact of Listing expenses is excluded.

### Profit for the year/period and net profit margin

As a result of the foregoing, our profit for the year increased by RM1.3 million (or 24.1%) from RM5.4 million for FY2015 to RM6.7 million for FY2016. Our net profit margin was 6.1% and 6.8% for FY2015 and FY2016, respectively. Should the Listing expenses of RM2.4 million charged to the combined statement of profit or loss for FY2016 be excluded, our Group would record an adjusted profit of RM9.1 million for FY2016, representing an increase of RM3.7 million (or 68.5%) as compared to FY2015. Our adjusted net profit margin would be 9.3% for FY2016.

On the other hand, our profit for the period increased by RM0.6 million (or 120.0%) from RM0.5 million for 1Q2016 to RM1.1 million for 1Q2017. Our net profit margin was 2.2% and 3.9% for 1Q2016 and 1Q2017, respectively. Should the Listing expenses of RM2.1 million charged to the combined statement of profit or loss for 1Q2017 be excluded, our net profit for 1Q2017 would be RM3.2 million, representing an adjusted net profit margin of 11.5%.

## FINANCIAL INFORMATION

### YEAR-ON-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2016 compared to year ended 31 December 2015

|                                                | <i>Notes</i> | Year ended 31 December |               | Increase (Decrease) |                   |
|------------------------------------------------|--------------|------------------------|---------------|---------------------|-------------------|
|                                                |              | 2015                   | 2016          |                     |                   |
|                                                |              | <i>RM'000</i>          | <i>RM'000</i> | <i>RM'000</i>       | <i>Percentage</i> |
| Revenue                                        |              | 89,034                 | 97,937        | 8,903               | 10.0%             |
| — Elastic textile                              | 1            | 46,230                 | 53,290        | 7,060               | 15.4%             |
| — Webbing                                      | 2            | 29,335                 | 32,028        | 2,693               | 9.2%              |
| — Other products                               | 3            | 13,469                 | 12,619        | (850)               | -6.3%             |
| Cost of sales                                  | 4            | (68,113)               | (71,074)      | (2,961)             | 4.4%              |
| Gross profit                                   | 5            | 20,921                 | 26,863        | 5,942               | 28.7%             |
| Other income, net                              | 6            | 1,597                  | 861           | (736)               | -46.1%            |
| Distribution costs                             | 7            | (2,334)                | (2,609)       | (275)               | 11.8%             |
| Administrative expenses                        | 8            | (12,941)               | (14,262)      | (1,321)             | 10.2%             |
| Interest income                                |              | 487                    | 485           | (2)                 | -0.4%             |
| Finance costs                                  | 9            | (1,079)                | (1,155)       | (76)                | 7.0%              |
| Share of profit of a joint venture, net of tax | 10           | 235                    | 215           | (20)                | -8.5%             |
| Listing expenses                               | 11           | —                      | (2,404)       | (2,404)             | N/A               |
| Profit before income tax expenses              |              | 6,886                  | 7,994         | 1,108               | 16.1%             |
| Income tax expenses                            | 12           | (1,510)                | (1,326)       | 184                 | -12.2%            |
| Profit for the year                            | 13           | <u>5,376</u>           | <u>6,668</u>  | <u>1,292</u>        | 24.1%             |
| Profit (loss) attributable to:                 |              |                        |               |                     |                   |
| Owners of the Company                          |              | 5,636                  | 6,826         | 1,190               | 21.1%             |
| Non-controlling interests                      |              | <u>(260)</u>           | <u>(158)</u>  | <u>102</u>          | -39.2%            |
|                                                |              | <u>5,376</u>           | <u>6,668</u>  | <u>1,292</u>        | 24.0%             |

## FINANCIAL INFORMATION

### *Reason for the changes*

#### *Notes*

1. The increase was mainly due to:
  - (i) the growth in sales of covered elastic yarn by RM1.7 million, which was mainly attributable to the increase in average selling price from RM32.0 per kg to RM34.5 per kg resulted mainly from the sales of more covered elastic yarn of higher specification with higher price; and
  - (ii) the growth in sales of narrow elastic fabric by RM5.4 million, which was mainly attributable to (a) the increase in sales volume by 5.5 million metres primarily as a result of increase in sales in Vietnam; and (b) increase in sales of products produced by needle weaving process which has a higher unit price and profit margin.
2. The increase was mainly due to growth in sales of seat belt webbing by RM3.1 million mainly as a result of sales to a new customer. The new customer became our second largest customer in FY2016.
3. The decrease was mainly due to decrease in sales of rubber tape by RM1.7 million as a result of decrease in sales to a major customer in the United States. It was partially offset by the increase in sales of metal components for furniture of RM0.9 million mainly because our new products were well received by customers.
4. The increase was mainly due to increase in:
  - (i) labour cost by RM3.3 million as a result of (a) the increase in salary for workers driven by increase in the statutory minimum wages of Malaysia and Dong Nai Province in Vietnam by 11.1% and 12.9%, respectively; and (b) an annual incentive bonus in the sum of RM1.2 million paid to our employees in FY2016 compared to RM0.7 million in FY2015; and
  - (ii) raw materials cost by RM0.2 million as a result of the increase in sales volume, effect of which was mostly offset by the drop in price for most of our principal raw materials.
5. The increase in our gross profit was primarily due to:
  - (i) increase in revenue by RM8.9 million mainly as a result of (a) the increase in sales volume and/or average selling price of our elastic textile products; and (b) increase in sales volume of seat belt webbing; and
  - (ii) increase in total costs of sales by only RM3.0 million mainly as a result of the drop in price for most of our principal raw materials.

The increase in overall gross profit margin was mainly due to the increase in gross profit margin of:

  - (i) our elastic textile products from 28.1% to 29.3% as a result of (a) the increase in the average selling price for covered elastic yarn and narrow elastic fabric from RM32.0 per kg to RM34.5 per kg and from RM0.30 per metre to RM0.35 per metre, respectively; and (b) the decrease in price of certain principal raw materials such as spandex yarn which decreased by 3.9%;
  - (ii) our webbing products from 21.5% to 30.0% mainly as a result of the decrease in price of certain principal raw materials in the range from 5.3% to 11.8%; and
  - (iii) other products from 11.9% to 12.7% which was mainly the result of the increase in production efficiency of our rubber tapes.
6. The decrease was mainly due to the decrease in the net gain on foreign exchange as the depreciation of RM and VND against US dollars in FY2016 slowed down as compared to that in FY2015.
7. Our distribution costs remained stable in contrast with the increase in revenue mainly due to our close monitoring and control of these costs.

## FINANCIAL INFORMATION

8. The increase was mainly due to the (a) increase in salaries for our headquarter and administrative staff by RM1.3 million primarily attributable to the incentive bonus of RM1.5 million in FY2016 as compared to RM0.9 million paid in FY2015; (b) salary for a new general manager in each of our sales and marketing department and production department in Malaysia; and (c) and general increase in monthly salary in FY2016.
9. The slight increase was due to the increase in balance of interest bearing bank borrowings in FY2016.
10. The decrease was due to the decrease in net profit of our joint venture, TNV (VN).
11. See “Principal Income Statement Components — Listing expenses” in this section above.
12. The decrease was mainly due to the decrease in effective tax rate from 21.7% and 16.3%, as a result of
  - (i) the decrease in income tax rate from 25% to 24% in Malaysia for FY2016;
  - (ii) a higher portion of profit before tax was derived from our Vietnamese subsidiaries which were entitled to a preferential income tax rate of 15%; and
  - (iii) overprovision of income tax expenses amounting to RM0.3 million in FY2015.
13. The increase was mainly due to the increase in gross profit by RM6.0 million partially offset by the increase in distribution and administrative costs by RM1.6 million and the Listing expenses of RM2.4 million. Excluding the non-recurring Listing expenses, our profit for the year would amount to RM9.1 million.

## FINANCIAL INFORMATION

### PERIOD-ON-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three months ended 31 March 2017 compared to three months ended 31 March 2016

|                                                          | Notes | Three months ended<br>31 March |                | Increase (Decrease) |            |
|----------------------------------------------------------|-------|--------------------------------|----------------|---------------------|------------|
|                                                          |       | 2016<br>RM'000<br>(Unaudited)  | 2017<br>RM'000 | RM'000              | Percentage |
| Revenue                                                  |       | 22,283                         | 27,935         | 5,652               | 25.1%      |
| — Elastic textile                                        | 1     | 11,845                         | 14,035         | 2,190               | 18.6%      |
| — Webbing                                                | 2     | 7,462                          | 10,384         | 2,922               | 38.7%      |
| — Other products                                         | 3     | 2,976                          | 3,516          | 540                 | 18.1%      |
| Cost of sales                                            | 4     | (17,338)                       | (19,630)       | (2,292)             | 13.2%      |
| Gross profit                                             | 5     | 4,945                          | 8,305          | 3,360               | 69.4%      |
| Other (expenses)/income, net                             | 6     | (256)                          | 90             | 346                 | -135.2%    |
| Distribution costs                                       | 7     | (586)                          | (665)          | (79)                | 13.5%      |
| Administrative expenses                                  | 8     | (3,327)                        | (3,676)        | (349)               | 10.5%      |
| Interest income                                          |       | 123                            | 128            | 5                   | 4.1%       |
| Finance costs                                            | 9     | (307)                          | (284)          | 23                  | -7.5%      |
| Share of (loss)/profit of a joint venture,<br>net of tax | 10    | (3)                            | 54             | 57                  | N/A        |
| Listing expenses                                         | 11    | —                              | (2,054)        | (2,054)             | N/A        |
| Profit before income tax expenses                        |       | 589                            | 1,898          | 1,309               | 222.2%     |
| Income tax expenses                                      | 12    | (63)                           | (780)          | (717)               | 1,138.1%   |
| Profit for the period                                    | 13    | <u>526</u>                     | <u>1,118</u>   | <u>592</u>          | 120.0%     |
| Profit (loss) attributable to:                           |       |                                |                |                     |            |
| Owners of the Company                                    |       | 579                            | 1,178          | 599                 | 103.5%     |
| Non-controlling interests                                |       | <u>(53)</u>                    | <u>(60)</u>    | <u>(7)</u>          | 13.2%      |
|                                                          |       | <u>526</u>                     | <u>1,118</u>   | <u>592</u>          | 120.0%     |

## FINANCIAL INFORMATION

### *Reason for the changes*

#### *Notes*

1. The increase was mainly due to:
  - (i) the growth in sales of covered elastic yarn by RM0.5 million, which was primarily attributable to the increase in average selling price from RM31.9 per kg to RM 37.0 per kg, continuing with the trend of selling more covered elastic yarn of higher price; and
  - (ii) the growth in sales of narrow elastic fabric by RM1.8 million, which was primarily attributable to (a) the increase in sales volume by 2.0 million metres as more sales were made to customers in Vietnam; and (b) increase in sales of products produced by needle weaving process which has a higher unit price and profit margin.
2. The increase was mainly due to:
  - (i) the growth in sales of furniture webbing by RM2.5 million, which was primarily attributable to (a) the increase in sales volume from 6.7 million metres to 9.7 million metres as a result of the increased sales to customers in Vietnam and the Asia Pacific region; and (b) the increase in average selling price from RM0.67 per metre to RM0.72 per metre as we sold less amount of lower price products in the period; and
  - (ii) the growth in sales of seat belt webbing by RM0.4 million, which was primarily attributable to the increase in sales volume from 2.7 million metres to 3.1 million metres driven by the increased sales to a customer who became our fourth largest customer in 1Q2017.
3. The increase was mainly due to increase in sales of rubber tape by RM0.6 million driven by the increase in sales volume from 115,000kg to 133,000kg attributable to the pick up on sales to a major customer in United States; and (b) the increase in the average selling price for rubber-related products by 14.2% as the aforementioned customer procured our higher priced rubber tapes for medical disposables.
4. The increase was mainly due to increase in:
  - (i) raw material cost by RM1.5 million as a result of the increase in sales volume; and
  - (ii) labour cost by RM1.0 million mainly as a result of (a) the increase in salary for production workers driven by increase in the statutory minimum wages of Dong Nai Province in Vietnam by 7.1%; and (b) the general salary increase of up to 5% effective from 1 January 2017.
5. The increase in our gross profit was primarily due to:
  - (i) the growth in revenue by RM5.6 million mainly as a result of the increase in sales volume and/or average selling price of our elastic textile and webbing products; and
  - (ii) the increase in total costs of sales by only RM2.3 million mainly because price of certain principal raw materials remained on a downward trend.

The increase in overall gross profit margin was mainly due to the increase in gross profit margin of:

- (i) our elastic textile products from 23.7% to 32.8% as a result of the increase in the average selling price for covered elastic yarn and narrow elastic fabric by 16.0% and 13.9%, respectively, as we have sold more products with higher specification;
- (ii) our webbing products from 24.4% to 28.9% which was mainly attributable to (a) the increase in the average selling price of webbing by 2.5% mainly because we sold less furniture webbing products of lower price; and (b) the decrease in price of certain principal raw materials during the Track Record Period; and

## FINANCIAL INFORMATION

- (iii) other products from 10.8% to 19.8% which was mainly attributable to (a) the pick up on sales to a customer in the United States who procured our higher priced rubber tapes for medical disposable products; and (b) the improved production efficiency of our rubber tapes.
- 6. A net other income was recorded for 1Q2017 as opposed to a net loss for 1Q2016 mainly because of (i) the decrease in net loss on foreign exchange from RM297,000 in 1Q2016 to RM79,000 in 1Q2017 due to the sharper depreciation of USD against RM towards the end of March 2016; and (ii) the increase in sales of obsolete inventories by RM59,000 in 1Q2017.
- 7. The increase was primarily attributable to the increase in transportation expenses and custom declaration charges of RM0.1 million along with the sales volume growth in 1Q2017.
- 8. The increase was mainly due to the general salary increase of up to 5% effective from 1 January 2017.
- 9. The slight decrease was due to the decrease in balance of interest bearing bank borrowings.
- 10. The increase was due to the increase in net profit of our joint venture, TNV (VN).
- 11. See “Principal Income Statement Components — Listing expenses” in this section above.
- 12. The increase was mainly attributable to:
  - (i) the lower effective tax rate of 10.7% for 1Q2016 due to the overprovision of deferred tax for RM0.1 million in the previous period; and
  - (ii) the higher effective tax rate of 42.1% for 1Q2017 mainly due to (i) tax losses previously not recognised for one of our subsidiaries in Vietnam setting off part of the taxable income in FY2016; and (ii) the Listing expenses of RM2.1 million incurred in the period which is non-deductible. The effective tax rate for 1Q2017 would amount to 20.0% if such expenses is excluded.
- 13. The increase was mainly due to the increase in gross profit by RM3.4 million which was partially offset by the increase in distribution and administrative costs by RM0.4 million and the Listing expenses of RM2.1 million. Excluding the non-recurring Listing expenses, our profit for the period would amount to RM3.2 million.

# FINANCIAL INFORMATION

## SUMMARY OF COMBINED STATEMENTS OF FINANCIAL POSITION

|                                              | As at 31 December |               | As at         |
|----------------------------------------------|-------------------|---------------|---------------|
|                                              | 2015              | 2016          | 31 March      |
|                                              | RM'000            | RM'000        | 2017          |
|                                              |                   |               | RM'000        |
| <b>Non-current assets</b>                    |                   |               |               |
| Property, plant and equipment                | 39,377            | 39,903        | 40,312        |
| Intangible assets                            | 1,296             | 1,277         | 1,272         |
| Interest in a joint venture                  | 1,413             | 1,355         | 972           |
| Loan to a fellow subsidiary                  | 7,066             | 7,489         | 7,594         |
| Deferred tax assets                          | 15                | 3             | 3             |
|                                              | <u>49,167</u>     | <u>50,027</u> | <u>50,153</u> |
| <b>Current assets</b>                        |                   |               |               |
| Inventories                                  | 22,035            | 23,888        | 26,208        |
| Trade and other receivables                  | 18,455            | 20,792        | 19,423        |
| Amount due from a joint venture              | 95                | 47            | 69            |
| Amounts due from fellow subsidiaries         | 3,413             | 7,819         | 9,041         |
| Amount due from the ultimate holding company | 1,988             | 2,902         | 2,995         |
| Current tax recoverable                      | 494               | 283           | 192           |
| Time deposits maturing over three months     | 28                | 127           | 29            |
| Cash and bank balances                       | <u>17,134</u>     | <u>15,424</u> | <u>12,905</u> |
|                                              | <u>63,642</u>     | <u>71,282</u> | <u>70,862</u> |
| <b>Current liabilities</b>                   |                   |               |               |
| Trade and other payables                     | 17,379            | 21,924        | 25,335        |
| Amounts due to fellow subsidiaries           | 953               | 994           | 1,000         |
| Amount due to the ultimate holding company   | 9,730             | 8,216         | 12,144        |
| Obligations under finance leases             | 102               | 256           | 260           |
| Bank borrowings                              | 988               | 1,445         | 1,075         |
| Current tax liabilities                      | <u>433</u>        | <u>665</u>    | <u>843</u>    |
|                                              | <u>29,585</u>     | <u>33,500</u> | <u>40,657</u> |
| <b>Net current assets</b>                    | 34,057            | 37,782        | 30,205        |
| <b>Total assets less current liabilities</b> | 83,224            | 87,809        | 80,358        |
| <b>Non-current liabilities</b>               |                   |               |               |
| Obligations under finance leases             | 339               | 610           | 544           |
| Bank borrowings                              | 10,423            | 10,186        | 10,183        |
| Deferred tax liabilities                     | <u>1,179</u>      | <u>996</u>    | <u>897</u>    |
|                                              | <u>11,941</u>     | <u>11,792</u> | <u>11,624</u> |
| <b>NET ASSETS</b>                            | <u>71,283</u>     | <u>76,017</u> | <u>68,734</u> |



## FINANCIAL INFORMATION

|                                                     | As at 31 December |               | As at         |
|-----------------------------------------------------|-------------------|---------------|---------------|
|                                                     | 2015              | 2016          | 31 March      |
|                                                     | RM'000            | RM'000        | 2017          |
|                                                     |                   |               | RM'000        |
| <b>Capital and reserves</b>                         |                   |               |               |
| Share capital                                       | —                 | —             | —             |
| Reserves                                            | 71,099            | 75,994        | 68,771        |
| <b>Equity attributable to owners of the Company</b> | 71,099            | 75,994        | 68,771        |
| <b>Non-controlling interests</b>                    | 184               | 23            | (37)          |
| <b>TOTAL EQUITY</b>                                 | <u>71,283</u>     | <u>76,017</u> | <u>68,734</u> |

### PRINCIPAL FINANCIAL POSITION ITEMS

#### Property, plant and equipment

The following table sets forth our property, plant and equipment as at the dates indicated:

|                                          | As at 31 December |              |               |              | As at 31 March |              |
|------------------------------------------|-------------------|--------------|---------------|--------------|----------------|--------------|
|                                          | 2015              |              | 2016          |              | 2017           |              |
|                                          | RM'000            | %            | RM'000        | %            | RM'000         | %            |
| Freehold land                            | 1,009             | 2.6          | 1,009         | 2.5          | 1,009          | 2.5          |
| Long-term leasehold land                 | 5,465             | 13.9         | 5,377         | 13.5         | 5,355          | 13.3         |
| Buildings                                | 23,295            | 59.2         | 22,713        | 56.9         | 22,496         | 55.8         |
| Plant and machinery                      | 7,789             | 19.8         | 8,271         | 20.7         | 8,969          | 22.2         |
| Furniture, fittings and office equipment | 523               | 1.3          | 462           | 1.2          | 442            | 1.1          |
| Motor vehicles                           | 1,044             | 2.6          | 1,396         | 3.5          | 1,237          | 3.1          |
| Construction in progress                 | 252               | 0.6          | 675           | 1.7          | 804            | 2.0          |
| <b>Total</b>                             | <u>39,377</u>     | <u>100.0</u> | <u>39,903</u> | <u>100.0</u> | <u>40,312</u>  | <u>100.0</u> |

Our property, plant and equipment principally consisted of freehold and long-term leased land, buildings and plant and machinery. Our freehold lands have indefinite useful life and are not depreciated, while our leasehold lands are depreciated over the period of the lease ranging from 60 to 99 years. Our buildings are depreciated fully on a straight line basis over their estimated useful lives from 8 to 50 years, and our plant and machinery, furniture fittings and office equipment and motor vehicles are depreciated with useful life ranging from 5 to 10 years. Our construction in progress represented machineries under installation and modification.

The minor increase in our property, plant and equipment by RM0.5 million (or 1.3%) from 31 December 2015 to 31 December 2016 was primarily due to the addition of (i) production machinery of RM2.6 million; (ii) five motor vehicles of RM0.8 million as general transportation for our staff; and (iii) net translation difference of RM0.6 million; which was partially net-off by depreciation charges of RM3.6 million. In FY2016, in view of the high utilisation rate of our production facility in PEWAV

## FINANCIAL INFORMATION

(VN) for narrow elastic fabric, we invested RM2.1 million for the purchase of production machinery such as weaving machines and dyeing machines to alleviate the production bottleneck. As a result, our designed production capacity for narrow elastic fabric increased by 14.2% in FY2016.

Our property, plant and equipment subsequently increased by RM0.4 million (or 1.0%) to RM40.3 million as at 31 March 2017 mainly as a result of the addition of production machinery of RM1.1 million for replacing existing machinery and construction in progress of RM0.1 million, which was partially offset by depreciation charges of RM0.9 million. See “Business — Production — Production capacity and utilisation” in this prospectus for further details.

### Inventories

The table below sets forth our inventories as at the dates indicated:

|                   | As at 31 December |              | As at 31 March |              |               |              |
|-------------------|-------------------|--------------|----------------|--------------|---------------|--------------|
|                   | 2015              |              | 2016           |              | 2017          |              |
|                   | RM'000            | %            | RM'000         | %            | RM'000        | %            |
| Raw materials     | 10,345            | 47.0         | 10,661         | 44.6         | 12,606        | 48.1         |
| Work in progress  | 4,459             | 20.2         | 4,083          | 17.1         | 5,294         | 20.2         |
| Finished goods    | 5,736             | 26.0         | 7,624          | 31.9         | 6,748         | 25.7         |
| Other consumables | <u>1,495</u>      | <u>6.8</u>   | <u>1,520</u>   | <u>6.4</u>   | <u>1,560</u>  | <u>6.0</u>   |
| Total             | <u>22,035</u>     | <u>100.0</u> | <u>23,888</u>  | <u>100.0</u> | <u>26,208</u> | <u>100.0</u> |

We recorded an increase of RM1.9 million (or 8.6%) in our inventories from RM22.0 million as at 31 December 2015 to RM23.9 million as at 31 December 2016, which was mainly due to the increase in finished goods.

Our production facilities are usually closed during the new year holidays in their respective country, which usually start in late January or early February, and last up to one week in Malaysia and Vietnam. We generally increase our production level a few weeks prior to the new year period to meet the agreed delivery timelines. As such, the level of work in progress and finished goods as at end of the year are affected by the new year period in the following year. As the new year holidays for 2017 started on 26 January 2017, two weeks earlier as compared to that of 2016 which started on 8 February 2016, our production activity and thus the amount of work-in-progress and finished goods were higher at the end of FY2016 than FY2015.

Subsequently, our inventories increased by RM2.3 million (or 9.6%) to RM26.2 million as at 31 March 2017 mainly attributable to our increased raw materials to cater for our growing sales volume.

## FINANCIAL INFORMATION

We maintain records of inventory movements. Our warehouse staff also conduct physical inventory taking at our production facilities on a monthly basis to ensure accuracy of our inventory records. We closely monitor our inventory level by performing periodical reviews of the inventory records. Any unused and outdated items identified would be written-off as appropriate according to our accounting policy set out in Note 4 to the Accountant's Report.

|                                 | <b>As at 31 December</b> |             | <b>As at</b>    |
|---------------------------------|--------------------------|-------------|-----------------|
|                                 | <b>2015</b>              | <b>2016</b> | <b>31 March</b> |
|                                 |                          |             | <b>2017</b>     |
| Average inventory turnover days | 117.8                    | 118.2       | 114.8           |

*Note:* Average inventory turnover days is arrived at by dividing the average of the opening and closing inventories by cost of sales for the relevant year/period and then multiplied by the number of days in the relevant year/period.

Our inventory turnover days remained at similar level in FY2015, FY2016 and 1Q2017. Generally speaking, our inventory turnover cycle is around four months. According to our inventory management policy, we normally keep inventories for principal raw materials that are sufficient for one to three months' production, while we source materials that are specific to individual sales orders on a back-to-back basis. Production usually takes two to five weeks depending on the complexity of the production method and the availability of raw materials. On the other hand, our inventory generally has shelf life of over five years with the exception of natural rubber thread and spandex of which the shelf life is only six months to one year. See "Business — Inventory Management" in this prospectus for further details. Considering our business model and the shelf life of our inventories, we considered the inventory turnover days for FY2015, FY2016 and 1Q2017 reasonable.

As at 31 May 2017, RM17.6 million (or 67.2%) of our inventories as at 31 March 2017 had been utilised or sold.

### Trade and other receivables

The following table sets forth our trade and other receivables as at the dates indicated:

|                   | <b>As at 31 December</b> |                      | <b>As at</b>         |
|-------------------|--------------------------|----------------------|----------------------|
|                   | <b>2015</b>              | <b>2016</b>          | <b>31 March</b>      |
|                   | <i>RM'000</i>            | <i>RM'000</i>        | <i>RM'000</i>        |
| Trade receivables | 16,039                   | 16,932               | 14,737               |
| Other receivables | <u>2,416</u>             | <u>3,860</u>         | <u>4,686</u>         |
| Total             | <u><u>18,455</u></u>     | <u><u>20,792</u></u> | <u><u>19,423</u></u> |

### Trade receivables

Trade receivables represented outstanding balance due from our customers. Our trade receivables increased from RM16.0 million as at 31 December 2015 to RM16.9 million as at 31 December 2016, which represented an increase of RM0.9 million (or 5.6%). Such increase was primarily due to our increase in sales during FY2016. Subsequently, our trade receivables decreased by RM2.2 million (or 13.0%) to RM14.7 million as at 31 March 2017 as a result of our close monitoring of credit to customers.

## FINANCIAL INFORMATION

Set out below is an analysis on the geographical spread of our trade receivable balances as at the dates indicated:

|                              | As at 31 December    |                      | As at                |
|------------------------------|----------------------|----------------------|----------------------|
|                              | 2015                 | 2016                 | 31 March             |
|                              | RM'000               | RM'000               | 2017                 |
|                              |                      |                      | RM'000               |
| <b>Domestic</b>              |                      |                      |                      |
| Malaysia                     | 1,535                | 1,145                | 909                  |
| Vietnam                      | <u>5,203</u>         | <u>5,228</u>         | <u>6,481</u>         |
|                              | 6,738                | 6,373                | 7,390                |
| <b>Export</b>                |                      |                      |                      |
| Asia Pacific <i>(Note 1)</i> | 3,677                | 4,651                | 2,673                |
| Europe <i>(Note 2)</i>       | 2,957                | 3,405                | 3,291                |
| North America                | 2,589                | 2,414                | 1,316                |
| Others                       | <u>78</u>            | <u>89</u>            | <u>67</u>            |
|                              | <u>9,301</u>         | <u>10,559</u>        | <u>7,347</u>         |
| <b>Total</b>                 | <u><u>16,039</u></u> | <u><u>16,932</u></u> | <u><u>14,737</u></u> |

Notes:

1. Including Australia, Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Japan, Korea, New Zealand, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan and Thailand.
2. Including Belgium, France, Germany, Italy, Netherlands, Poland, Portugal, Romania, Spain, Sweden and the United Kingdom.

Set out below is an analysis on our trade receivables past due as at the dates indicated:

|                                                | As at 31 December    |                      | As at                |
|------------------------------------------------|----------------------|----------------------|----------------------|
|                                                | 2015                 | 2016                 | 31 March             |
|                                                | RM'000               | RM'000               | 2017                 |
|                                                |                      |                      | RM'000               |
| Neither past due nor impaired                  | 11,934               | 12,978               | 12,414               |
| Past due not more than 30 days                 | 3,864                | 2,769                | 2,010                |
| Past due within 30 to 90 days                  | 183                  | 1,000                | 85                   |
| Past due over 90 days                          | <u>58</u>            | <u>185</u>           | <u>228</u>           |
|                                                | <u><u>16,039</u></u> | <u><u>16,932</u></u> | <u><u>14,737</u></u> |
| <b>Average trade receivables turnover days</b> | <b>62.6</b>          | <b>61.6</b>          | <b>51.0</b>          |

Note: Average trade receivables turnover days is arrived at by dividing the average of the opening and closing trade receivables by revenue for the relevant year/period and then multiplied by the number of days in the relevant year/period.

## FINANCIAL INFORMATION

Our trade receivables are normally settled between 30 and 90 days. Our trade receivables turnover days remained at similar level in FY2015, FY2016 and 1Q2017 and are within the credit periods we offered to our customers.

We managed to maintain a strict control over our outstanding trade receivables by regularly reviewing the overdue balances. As at 31 December 2015 and 2016 and 31 March 2017, we had trade receivables amounting to RM4.1 million, RM4.0 million and RM2.3 million, respectively, which were past due but not impaired because our Directors are of the opinion that there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at the Latest Practicable Date, RM14.6 million (or 99.3%) of our trade receivables outstanding as at 31 March 2017 had been subsequently settled.

### *Other receivables*

Other receivables mainly included (i) amounts refundable from tax authorities regarding goods and services tax in Malaysia (“GST”) and value added tax in Vietnam (“VAT”); and (ii) prepayments for miscellaneous administrative and other utilities. Our other receivables increased from RM2.4 million as at 31 December 2015 to RM3.9 million as at 31 December 2016 and further to RM4.7 million as at 31 March 2017, primarily due to the increase in GST and VAT claimable and the prepaid professional fees for the Listing.

### **Amounts due to/from related parties**

During the Track Record Period, loans and/or advances were lent to/borrowed from the Parent Group mainly to finance daily operations of respective companies. We had a net receivable from these related parties of RM1.9 million, RM9.0 million and RM6.6 million as at 31 December 2015 and 2016 and 31 March 2017, respectively, which are set out as follows:

|                                              | <b>As at 31 December</b> |                     | <b>As at</b>        |
|----------------------------------------------|--------------------------|---------------------|---------------------|
|                                              | <b>2015</b>              | <b>2016</b>         | <b>31 March</b>     |
|                                              | <i>RM'000</i>            | <i>RM'000</i>       | <i>RM'000</i>       |
| <b>Due from</b>                              |                          |                     |                     |
| Loan to a fellow subsidiary                  | 7,066                    | 7,489               | 7,594               |
| Amounts due from fellow subsidiaries         | 3,413                    | 7,819               | 9,041               |
| Amount due from the ultimate holding company | 1,988                    | 2,902               | 2,995               |
| Amount due from a joint venture              | 95                       | 47                  | 69                  |
|                                              | <u>12,562</u>            | <u>18,257</u>       | <u>19,699</u>       |
| <b>Due to</b>                                |                          |                     |                     |
| Amount due to the ultimate holding company   | 9,730                    | 8,216               | 12,144              |
| Amounts due to fellow subsidiaries           | 953                      | 994                 | 1,000               |
|                                              | <u>10,683</u>            | <u>9,210</u>        | <u>13,144</u>       |
| <b>Net balances</b>                          | <u><u>1,879</u></u>      | <u><u>9,047</u></u> | <u><u>6,555</u></u> |

## FINANCIAL INFORMATION

Our Directors confirm that amount due to/from related parties was fully settled before the Listing. These balances were assigned to our Controlling Shareholder and settled on a net basis with its internal resources.

### Trade and other payables

The following table sets forth our trade and other payables as at the dates indicated:

|                | As at 31 December |               | As at         |
|----------------|-------------------|---------------|---------------|
|                | 2015              | 2016          | 31 March      |
|                | RM'000            | RM'000        | 2017          |
|                |                   |               | RM'000        |
| Trade payables | 5,470             | 6,102         | 7,138         |
| Bills payable  | 8,462             | 10,141        | 11,522        |
| Other payables | <u>3,447</u>      | <u>5,681</u>  | <u>6,675</u>  |
| Total          | <u>17,379</u>     | <u>21,924</u> | <u>25,335</u> |

### Trade payables

Trade payables represented outstanding balance due to our suppliers. Our trade payables increased from RM5.5 million as at 31 December 2015 to RM6.1 million as at 31 December 2016, primarily attributable to our higher sales volume in FY2016. Subsequently, we recorded an increase by RM1.0 (or 16.4%) to RM7.1 million as at 31 March 2017 mainly as we increased our purchases of raw materials to cater for our increasing production volume. Set out below is an analysis of our trade payables as at the dates indicated:

|                | As at 31 December |              | As at        |
|----------------|-------------------|--------------|--------------|
|                | 2015              | 2016         | 31 March     |
|                | RM'000            | RM'000       | 2017         |
|                |                   |              | RM'000       |
| Within 30 days | 2,661             | 3,559        | 3,915        |
| 31–60 days     | 1,190             | 1,359        | 1,582        |
| 61–90 days     | 988               | 475          | 772          |
| Over 90 days   | <u>631</u>        | <u>709</u>   | <u>869</u>   |
|                | <u>5,470</u>      | <u>6,102</u> | <u>7,138</u> |

## FINANCIAL INFORMATION

### *Bills payable*

Our bills payable is mainly related to the use of bank bills and acceptances to pay for some of our purchases, which amounted to RM8.5 million, RM10.1 million and RM11.5 million as at 31 December 2015 and 2016 and 31 March 2017, respectively. This arrangement effectively extends the payment term for our purchases typically by 120 to 180 days. Set out below is an analysis of our bills payable by drawdown date as at the dates indicated:

|                | As at 31 December |               | As at<br>31 March |
|----------------|-------------------|---------------|-------------------|
|                | 2015              | 2016          | 2017              |
|                | RM'000            | RM'000        | RM'000            |
| Within 30 days | 2,406             | 1,791         | 2,319             |
| 31–60 days     | 1,601             | 1,884         | 2,278             |
| 61–90 days     | 1,323             | 2,333         | 1,866             |
| Over 90 days   | <u>3,132</u>      | <u>4,133</u>  | <u>5,059</u>      |
|                | <u>8,462</u>      | <u>10,141</u> | <u>11,522</u>     |

### *Average trade payable turnover days*

|                                      | As at 31 December |      | As at<br>31 March |
|--------------------------------------|-------------------|------|-------------------|
|                                      | 2015              | 2016 | 2017              |
| Average trade payables turnover days |                   |      |                   |
| — excluding bills payable            | 30.6              | 29.8 | 30.4              |
| — including bills payable            | 66.4              | 77.7 | 80.0              |

*Note:* Average trade payables turnover days is arrived at by dividing the average of the opening and closing trade payables by cost of sales for the relevant year/period and then multiplied by the number of days in the relevant year/period.

We are usually granted a credit period of 30 to 90 days by our suppliers. Our trade payables turnover days excluding bills payable remained at a similar level during FY2015, FY2016 and 1Q2017, and was within the payment terms of our suppliers. We generally settle our balances with suppliers on time to maintain good relationships. Our trade and bills payables turnover days increased from 66.4 days for FY2015 to 77.7 days for FY2016 and further increased to 80.0 days for 1Q2017 due to increased use of bills with typical terms ranging from 120 to 180 days for settlement of our purchases. The average turnover days including bills payable was still within the longest credit term of 90 days granted by suppliers. We did not default on any trade and bills payables during the Track Record Period.

As at 31 May 2017, RM5.5 million (or 77.5%) of our trade payables and RM4.0 million (or 34.8%) of our bills payable outstanding as at 31 March 2017 had been subsequently settled.

### *Other payables*

Our other payables principally included miscellaneous accruals and payables for utilities and other services used. Our other payables increased from RM3.4 million as at 31 December 2015 to RM5.7 million as at 31 December 2016 and further increased to RM6.7 million as at 31 March 2017, mainly due to the accrual of Listing expenses.

## FINANCIAL INFORMATION

### INDEBTEDNESS

The following table sets forth our indebtedness as at the dates indicated:

|                                            | As at 31 December    |                      | As at<br>31 March    | As at<br>31 July     |
|--------------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                            | 2015                 | 2016                 | 2017                 | 2017                 |
|                                            | RM'000               | RM'000               | RM'000               | RM'000               |
|                                            |                      |                      |                      | (Unaudited)          |
| <b>Bank borrowings<sup>(Note)</sup></b>    |                      |                      |                      |                      |
| Within one year                            | 988                  | 1,445                | 1,075                | 1,066                |
| Between 1–2 years                          | 238                  | 251                  | 314                  | 310                  |
| Between 2–5 years                          | 791                  | 832                  | 842                  | 857                  |
| Over five years                            | <u>9,394</u>         | <u>9,103</u>         | <u>9,027</u>         | <u>8,925</u>         |
| Subtotal                                   | <u>11,411</u>        | <u>11,631</u>        | <u>11,258</u>        | <u>11,158</u>        |
| <b>Amount due to related companies</b>     |                      |                      |                      |                      |
| Amounts due to fellow subsidiaries         | 953                  | 994                  | 1,000                | 1,005                |
| Amount due to the ultimate holding company | <u>9,730</u>         | <u>8,216</u>         | <u>12,144</u>        | <u>10,388</u>        |
| Subtotal                                   | <u>10,683</u>        | <u>9,210</u>         | <u>13,144</u>        | <u>11,393</u>        |
| <b>Finance lease liabilities</b>           |                      |                      |                      |                      |
| Within one year                            | 102                  | 256                  | 260                  | 264                  |
| Between 1–2 years                          | 108                  | 270                  | 273                  | 277                  |
| Between 2–5 years                          | <u>231</u>           | <u>340</u>           | <u>271</u>           | <u>177</u>           |
| Subtotal                                   | <u>441</u>           | <u>866</u>           | <u>804</u>           | <u>718</u>           |
| <b>Total</b>                               | <u><u>22,535</u></u> | <u><u>21,707</u></u> | <u><u>25,206</u></u> | <u><u>23,269</u></u> |

*Note:* All bank borrowings are guaranteed and secured.

### **Bank borrowings**

Our bank borrowings consisted of term loans and bank overdrafts, which were interest-bearing at floating rates ranging from 4.00% to 8.60%, 3.25% to 8.45%, 3.25% to 8.70% and 3.25% to 8.70% per annum for FY2015, FY2016, 1Q2017 and four months ended 31 July 2017, respectively. The total outstanding bank borrowings amounted to RM11.4 million, RM11.6 million, RM11.3 million and RM11.2 million, as at 31 December 2015 and 2016, 31 March 2017 and 31 July 2017, being the latest practicable date for the purpose of indebtedness, respectively. All of our bank borrowings were denominated in RM or US dollars.



## FINANCIAL INFORMATION

During the Track Record Period, the majority of our bank borrowings were long-term bank loans, which amounted to RM10.4 million, RM10.2 million, RM10.2 million and RM10.1 million as at 31 December 2015 and 2016, 31 March 2017 and 31 July 2017, respectively.

As at 31 December 2015 and 2016, 31 March 2017 and 31 July 2017, bank borrowings were secured by (i) freehold land, long-term leasehold land, buildings and certain plant and machinery owned by our Group with a total carrying amount of RM29.5 million, RM30.5 million, RM28.9 million and RM28.1 million, respectively; and (ii) corporate guarantees provided by PRG Holdings and personal guarantees provided by one of our Directors and certain directors of one of our wholly-owned subsidiary (collectively, the “**Guarantees**”). The Guarantees will be released upon the Listing. See Note 24 to the Accountant’s Report for further details.

### *Finance lease obligations*

Our finance lease obligations were related to the purchase of motor vehicles, which were denominated in RM and with effective interest rates ranging from 2.2% to 2.7% per annum in FY2015, FY2016, 1Q2017 and up to 31 July 2017. Our total finance lease obligations amounted to RM0.4 million, RM0.9 million, RM0.8 million and RM0.7 million, as at 31 December 2015 and 2016, 31 March 2017 and 31 July 2017, respectively. The increase by RM0.5 million (or 125.0%) from 31 December 2015 to 31 December 2016 was mainly attributable to the new finance leases for the purchase of four vehicles, partially offset by our repayment during the year. The balance decreased further as at 31 March 2017 and 31 July 2017 due to repayment.

Our Directors confirm that there was not any breach in financial covenants or other material covenants relating to our bank borrowings and finance leases, and no material defaults by our Group in payment of its bank borrowings and finance leases during the Track Record Period and up to the Latest Practicable Date.

As at 31 July 2017, being the latest practicable date for the purpose of this statement of indebtedness, our total available bank borrowing facilities amounted to RM41.1 million and our unutilised bank borrowing facilities amounted to RM18.2 million. Our Directors confirmed that we did not have any further plan for material debt financing as at the Latest Practicable Date.

Save as disclosed in this section, our Group did not have any other outstanding mortgages, charges, debentures, loan capital, bank overdrafts, debt securities or other similar indebtedness, finance leases or hire purchases and finance lease commitments, liabilities under acceptances or acceptance credits (other than normal trade bills), or any other guarantees or other material contingent liabilities as at 31 July 2017 and the Latest Practicable Date.

### **RELATED PARTY TRANSACTIONS**

With respect to the related parties transactions in Note 30 to the Accountant’s Report, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interests of us and our Shareholders as a whole.

## FINANCIAL INFORMATION

### LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds included cash generated from our operations, bank borrowings and lines of credit. In 2014, our Controlling Shareholder, PRG Holdings, had undergone a rights issue, in which part of proceeds amounting to RM1.2 million was used to fund the capital expenditure for expanding the factory of FCV (VN). We have established cash and treasury management measures to ensure (i) sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our Group's reputation; (ii) compliance with the covenants and conditions stipulated in the loan agreements which we entered into; and (iii) sufficient capital to satisfy our capital expenditure to fund our expansion plans.

#### Cash flows

The following table sets forth a summary of our combined cash flows for the years and period indicated:

|                                                               | Year ended 31 December |         | Three months ended |
|---------------------------------------------------------------|------------------------|---------|--------------------|
|                                                               | 2015                   | 2016    | 31 March           |
|                                                               | RM'000                 | RM'000  | 2017               |
|                                                               |                        |         | RM'000             |
| Profit before income tax expense                              | 6,886                  | 7,994   | 1,898              |
| Operating cash flows after working capital changes            | 13,731                 | 12,848  | 5,512              |
| Income tax paid, net                                          | (1,182)                | (1,069) | (600)              |
| Net cash generated from operating activities                  | 12,549                 | 11,779  | 4,912              |
| Net cash generated from/(used in) investing activities        | 4,354                  | (7,867) | (1,999)            |
| Net cash used in financing activities                         | (12,629)               | (5,791) | (4,756)            |
| Net change in cash and cash equivalents                       | 4,274                  | (1,879) | (1,843)            |
| Effects of exchange rate changes                              | 1,625                  | 157     | (225)              |
| Cash and cash equivalents at the beginning of the year/period | 10,587                 | 16,486  | 14,764             |
| Cash and cash equivalents at the end of the year/period       | 16,486                 | 14,764  | 12,696             |

#### Cash flows generated from operating activities

Our cash flows generated from operating activities primarily represented cash receipts in respect of sales of our products and payments for purchases of raw materials, and expenses such as labour costs, sales and distribution expenses and administrative expenses.

For FY2015, we recorded positive cash flows generated from operating activities of RM12.5 million. The amount is arrived at by adding back the non-cash items of RM5.1 million, including depreciation and inventories written down to our profit before income tax expenses of RM6.9 million.

## FINANCIAL INFORMATION

The resultant amount of RM12.0 million, representing our positive cash flows from operating activities before movements in working capital, is then adjusted by a net increase in working capital of RM1.7 million and net income tax paid of RM1.2 million.

For FY2016, we recorded positive cash flows generated from operating activities of RM11.8 million. The amount is arrived at by adding back the non-cash items of RM4.3 million, including depreciation, inventories written down and share of profit of the joint venture to our profit before income tax expenses of RM8.0 million. The resulting amount of RM12.3 million, representing our positive cash flows before movements in working capital, is then adjusted by a net increase in working capital by RM0.5 million and net income tax paid by RM1.1 million.

For 1Q2017, we recorded positive cash flows generated from operating activities of RM4.9 million. The amount is arrived at by adding back the non-cash items of RM1.4 million, including depreciation, inventories written down and net unrealised loss on foreign exchange to our profit before income tax expenses of RM1.9 million. The resulting amount of RM3.3 million, representing our positive cash flows from operating activities before movements in working capital, is then adjusted by a net increase in working capital by RM2.2 million and net income tax paid by RM0.6 million.

### **Cash flows generated from (used in) investing activities**

Our cash flows generated from (used in) investing activities primarily represented cash used to acquire and the proceeds received from disposal of property, plant and equipment, movements in amount due from related parties, and dividends received from the joint venture company.

For FY2015, our net cash generated from investing activities amounted to RM4.4 million, which was mainly derived from (i) the repayment from the Parent Group in the amount of RM8.2 million; (ii) dividend received from our joint venture in the amount of RM0.7 million; (iii) disposal of certain property, plant and equipment in the amount of RM0.1 million and (iv) interest income received in the amount of RM0.1 million, partially offset by the aggregate amount of RM4.6 million for acquisition of property, plant and equipment, which mainly consisted of the premium to renew the lease for the piece of land where the manufacturing facility of FCV (VN) is built on and the addition and replacement of machinery.

For FY2016, our net cash used in investing activities amounted to RM7.9 million, which was mainly derived from (i) advancement to the Parent Group in the amount of RM5.3 million; (ii) RM3.0 million for addition and replacement of our machinery; and (iii) deposit of RM0.1 million placed with original maturity over three months, partially net off by (a) the receipt of RM0.3 million from the dividend distribution made by our joint venture; and (b) RM0.1 million from disposal of certain property, plant and equipment.

For 1Q2017, our net cash used in investing activities amounted to RM2.0 million, which was mainly derived from (i) advancement to the Parent Group in the amount of RM1.3 million; and (ii) payment of RM1.3 million for replacement of our machinery, which was partially net off by (i) the receipt of RM0.4 million from the dividend distribution made by our joint venture; and (ii) payback of deposit in the amount of RM0.1 million.

## FINANCIAL INFORMATION

### **Cash flows used in financing activities**

Our cash flows used in financing activities primarily consisted of the movement in the amounts due to related parties, repayment and drawdown of bank borrowings, distribution of dividends to PRG Holdings and interest payments.

For FY2015, our net cash used in financing activities amounted to RM12.6 million, which was mainly derived from (i) the repayment to the Parent Group in aggregate of RM9.5 million; (ii) dividend paid to PRG Holdings in the amount of RM1.5 million; (iii) interest payment of RM1.1 million; and (iv) repayment of bank loan and finance lease liability of RM0.6 million.

For FY2016, our net cash used in financing activities amounted to RM5.8 million, which included mainly (i) repayment to the Parent Group in aggregate of RM1.6 million; (ii) dividend paid to PRG Holdings in the amount of RM3.2 million; (iii) interest payment of RM1.0 million; and (iv) repayment of finance lease liability in the amount of RM0.2 million, partially offset by net drawdown of bank borrowings in the amount of RM0.2 million.

For 1Q2017, our net cash used in financing activities amounted to RM4.8 million, which included mainly (i) dividend paid to PRG Holdings in the amount of RM4.4 million; and (ii) interest payment of RM0.3 million.

### **Working capital**

Taking into account the financial resources available to our Group, including our internally generated funds and bank facilities, our Directors confirm that our working capital is sufficient for our present requirements, that is for at least the next 12 months from the date of this prospectus.

# FINANCIAL INFORMATION

## Net current assets

|                                                                           | As at 31 December |               | As at<br>31 March<br>2017 | As at<br>31 July<br>2017 |
|---------------------------------------------------------------------------|-------------------|---------------|---------------------------|--------------------------|
|                                                                           | 2015              | 2016          |                           |                          |
|                                                                           | RM'000            | RM'000        | RM'000                    | RM'000                   |
|                                                                           |                   |               |                           | (Unaudited)              |
| <b>Current assets</b>                                                     |                   |               |                           |                          |
| Inventories                                                               | 22,035            | 23,888        | 26,208                    | 21,746                   |
| Trade and other receivables                                               | 18,455            | 20,792        | 19,423                    | 21,795                   |
| Amount due from a joint venture                                           | 95                | 47            | 69                        | 99                       |
| Amounts due from fellow subsidiaries                                      | 3,413             | 7,819         | 9,041                     | 7,992                    |
| Amounts due from the ultimate holding company                             | 1,988             | 2,902         | 2,995                     | 4,077                    |
| Current tax recoverable                                                   | 494               | 283           | 192                       | 202                      |
| Time deposits maturing over three months                                  | 28                | 127           | 29                        | —                        |
| Cash and bank balances                                                    | 17,134            | 15,424        | 12,905                    | 12,041                   |
|                                                                           | 63,642            | 71,282        | 70,862                    | 67,952                   |
| Assets of a disposal group classified as held for sale <i>(Note)</i>      | —                 | —             | —                         | 8,473                    |
|                                                                           | 63,642            | 71,282        | 70,862                    | 76,425                   |
| <b>Current liabilities</b>                                                |                   |               |                           |                          |
| Trade and other payables                                                  | 17,379            | 21,924        | 25,335                    | 19,746                   |
| Amounts due to fellow subsidiaries                                        | 953               | 994           | 1,000                     | 1,005                    |
| Amounts due to the ultimate holding company                               | 9,730             | 8,216         | 12,144                    | 10,388                   |
| Obligations under finance leases                                          | 102               | 256           | 260                       | 264                      |
| Bank borrowings                                                           | 988               | 1,445         | 1,075                     | 1,066                    |
| Current tax liabilities                                                   | 433               | 665           | 843                       | 791                      |
|                                                                           | 29,585            | 33,500        | 40,657                    | 33,260                   |
| Liabilities of a disposal group classified as held for sale <i>(Note)</i> | —                 | —             | —                         | 8,075                    |
|                                                                           | 29,585            | 33,500        | 40,657                    | 41,335                   |
| <b>Net current assets</b>                                                 | <u>34,057</u>     | <u>37,782</u> | <u>30,205</u>             | <u>35,090</u>            |

*Note:* FCV (VN) is classified as disposal group held for sale as at 31 July 2017 upon signing of the members agreement and sale and purchase agreement dated 26 July 2017.

Our net current assets increased by RM3.7 million (or 10.9%) from RM34.1 million as at 31 December 2015 to RM37.8 million as at 31 December 2016 primarily due to (i) an increase in the aggregate current amounts due from Parent Group of RM5.3 million; (ii) respective increase in inventories and trade and other receivables of RM1.9 million and RM2.3 million; and (iii) a decrease in the aggregate current amounts due to Parent Group of RM1.5 million; partially offset by (a) an increase

## FINANCIAL INFORMATION

in trade and other payables of RM4.5 million; (b) a decrease in cash and cash equivalents of RM1.7 million; and (c) an increase in aggregate of bank borrowings, finance lease obligations and net current tax liabilities of RM0.8 million.

Our net current assets decreased by RM7.6 million (or 20.1%) from RM37.8 million as at 31 December 2016 to RM30.2 million as at 31 March 2017 primarily due to (i) an increase in aggregate current amount due to Parent Group by RM3.9 million; (ii) an increase in trade and other payables by RM3.4 million; (iii) a decrease in cash and cash equivalents of RM2.5 million; (iv) a decrease in trade and other receivables by RM1.4 million, which was partially offset by (i) an increase in inventories by RM2.3 million; and (ii) an increase in aggregate current amount due from Parent Group of RM1.3 million.

Our net current assets increased by RM4.9 million (or 16.2%) from RM30.2 million as at 31 March 2017 to RM35.1 million as at 31 July 2017 primarily due to (i) a decrease in trade and other payables by RM5.6 million; (ii) a net increase in amount due from the ultimate holding company by RM2.8 million; and (iii) an increase in trade and other receivables by RM2.4 million; which was partially offset by (i) a decrease in inventory by RM4.5 million; (ii) a decrease of amounts due from fellow subsidiaries by RM1.0 million; and (iii) a decrease in cash and bank balances by RM0.9 million. The increase in net current assets was also partly contributed by the net current assets of RM0.4 million of FCV (VN), which is classified as a disposal group held for sale in accordance with IFRS 5. See “History, Reorganisation and Corporate Structure — Significant Shareholding Changes in Members of our Group during the Track Record Period and up to the Latest Practicable Date — FCV (VN)” of this prospectus for further details of the disposal of FCV (VN).

We were at net asset and net current asset positions as at 31 December 2015 and 2016, 31 March 2017 and 31 July 2017.

### OPERATING LEASE COMMITMENT

We had operating lease commitment under non-cancellable operating lease as lessee as follows:

|                                                   | As at 31 December    |                      | As at                |
|---------------------------------------------------|----------------------|----------------------|----------------------|
|                                                   | 2015                 | 2016                 | 31 March             |
|                                                   | RM'000               | RM'000               | 2017                 |
|                                                   |                      |                      | RM'000               |
| <b>Future minimum lease payment payable:</b>      |                      |                      |                      |
| Not later than one year                           | 563                  | 622                  | 623                  |
| Later than one year and not later than five years | 1,643                | 2,069                | 2,024                |
| Later than five years                             | <u>10,535</u>        | <u>10,570</u>        | <u>10,484</u>        |
| <b>Total</b>                                      | <u><u>12,741</u></u> | <u><u>13,261</u></u> | <u><u>13,131</u></u> |

Our operating lease commitment referred to the leased land use rights and buildings in Vietnam. The leased land use rights in Vietnam will expire in 2044 and 2048. See “Business — Properties — Leased land use rights in Vietnam” in this prospectus and Note 29 to the Accountant’s Report for further details.

## FINANCIAL INFORMATION

### CAPITAL COMMITMENTS

Our capital commitments amounted to RM20,000, RM0.7 million and RM0.2 million as at 31 December 2015 and 2016 and 31 March 2017, respectively. They were primarily for the acquisition of production machinery.

### CONTINGENT LIABILITIES

As at 31 December 2015 and 2016 and 31 March 2017, we did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to any third parties.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at 31 December 2015 and 2016 and 31 March 2017, we had not entered into any off-balance sheet transactions.

### SUMMARY OF KEY FINANCIAL RATIOS

The table below sets out a summary of key financial ratios in respect of our results of operations for the years and period and as at the dates indicated:

|                                                         | Year ended/<br>As at 31 December<br>2015 | 2016  | Three<br>months<br>ended/As at<br>31 March<br>2017 |
|---------------------------------------------------------|------------------------------------------|-------|----------------------------------------------------|
| Gross profit margin <sup>(Note 1)</sup>                 | 23.5%                                    | 27.5% | 29.7%                                              |
| Net profit margin <sup>(Note 2)</sup>                   | 6.1%                                     | 6.8%  | 3.9%                                               |
| Current ratio <sup>(Note 3)</sup>                       | 2.2                                      | 2.1   | 1.7                                                |
| Quick ratio <sup>(Note 4)</sup>                         | 1.4                                      | 1.4   | 1.1                                                |
| Return on assets <sup>(Note 5)</sup>                    | 4.8%                                     | 5.5%  | 3.7% <sup>(Note 14)</sup>                          |
| Return on equity <sup>(Note 6)</sup>                    | 7.5%                                     | 8.8%  | 6.5% <sup>(Note 14)</sup>                          |
| Interest coverage ratio <sup>(Note 7)</sup>             | 7.4                                      | 7.9   | 7.7                                                |
| Net debt to equity ratio <sup>(Note 8)</sup>            | N/A                                      | N/A   | N/A                                                |
| Gearing ratio <sup>(Note 9)</sup>                       | 16.6%                                    | 16.4% | 17.5%                                              |
| <i>For illustrative purpose:</i>                        |                                          |       |                                                    |
| Interest coverage ratio — Adjusted <sup>(Note 10)</sup> | 7.4                                      | 10.0  | 14.9                                               |
| Net profit margin — Adjusted <sup>(Note 11)</sup>       | 6.1%                                     | 9.3%  | 11.5%                                              |
| Return on assets — Adjusted <sup>(Note 12)</sup>        | 4.8%                                     | 8.1%  | 11.1% <sup>(Note 14)</sup>                         |
| Return on equity — Adjusted <sup>(Note 13)</sup>        | 8.1%                                     | 12.8% | 19.9% <sup>(Note 14)</sup>                         |

*Notes:*

1. Gross profit margin is calculated by dividing gross profit by revenue for the year/period.
2. Net profit margin is calculated by dividing net profit by revenue for the year/period.
3. Current ratio is calculated by dividing current assets by current liabilities as at the end of the year/period.

## FINANCIAL INFORMATION

4. Quick ratio is calculated by dividing current assets less inventories by current liabilities as at the end of the year/period.
5. Return on asset is calculated by dividing net profit by total assets as at the end of the year/period.
6. Return on equity is calculated by dividing net profit by total equity as at the end of the year/period.
7. Interest coverage ratio is calculated by dividing profit before interest expenses and tax by interest expenses for the year/period.
8. Net debt to equity ratio is calculated by dividing net debt by total equity as at the end of the year/period. Net debt includes all bank borrowings and finance lease liabilities, net of cash and cash equivalents.
9. Gearing ratio is calculated by dividing total debt by total equity as at the end of the year/period. Total debt includes all bank borrowings and finance lease liabilities, and excludes the amounts due to related parties that are current accounts in nature.
10. Interest coverage ratio — adjusted is calculated by dividing profit before interest expenses, tax and Listing expenses by interest expenses for the year/period.
11. Net profit margin — adjusted is calculated by dividing net profit before Listing expenses by revenue for the year/period.
12. Return on assets — adjusted is calculated by dividing net profit before Listing expenses by total assets as at the end of the year/period after excluding the net receivable from Parent Group of RM1.8 million, RM9.0 million and RM6.5 million as at 31 December 2015 and 2016, and 31 March 2017, respectively.
13. Return on equity — adjusted is calculated by dividing net profit before Listing expenses by total equity as at the end of the year/period after deducting the dividend of RM5.0 million.
14. Profit is annualised in the calculation of respective ratios for 1Q2017.

### **Gross profit margin**

Our gross profit margin increased from 23.5% for FY2015 to 27.5% for FY2016 and further increased to 29.7% for 1Q2017. See “Principal Income Statement Components — Gross profit and gross profit margin” in this section for our management discussion and analysis on our gross profit margin during the Track Record Period.

### **Net profit margin**

Our net profit margin increased from 6.1% for FY2015 to 6.8% for FY2016 and decreased to 3.9% for 1Q2017. Excluding the Listing expenses of RM2.4 million and RM2.1 million charged in FY2016 and 1Q2017, respectively, our net profit margin — adjusted would amount to 9.3% and 11.5%, respectively. See “Principal Income Statement Components — Profit for the year/period and net profit margin” in this section for our management discussion and analysis on our net profit margin during the Track Record Period.

### **Current ratio and quick ratio**

Our current ratio and quick ratio remained relatively stable for FY2015 and FY2016. Current ratio decreased from 2.1 times for FY2016 to 1.7 times for 1Q2017 while quick ratio decreased from 1.4 times to 1.1 times during the same period, mainly due to the increase in net current amount due to the Parent Group by RM2.6 million. Quick ratio decreased for a larger extent as the balance of inventories included in current assets increased by RM2.3 million from RM23.9 million as at 31 December 2016 to RM26.2 million as at 31 March 2017.



## FINANCIAL INFORMATION

### Return on assets

Our return on assets increased from 4.8% for FY2015 to 5.5% for FY2016, which was primarily a result of the increase in net profit margin from 6.1% to 6.8% as our operating performance improved, partially offset by the increase of RM8.5 million (or 7.5%) in total assets during the same year. Excluding the Listing expenses of RM2.4 million in FY2016 and the net receivable from Parent Group of RM1.9 million and RM9.0 million as at 31 December 2015 and 2016, the return on asset — adjusted would be 4.8% and 8.1% for FY2015 and FY2016, respectively.

Subsequently, our return on assets decreased from 5.5% for FY2016 to 3.7% for 1Q2017. Excluding the Listing expenses of RM2.1 million and the net receivable from Parent Group of RM6.6 million as at 31 March 2017, the return on assets — adjusted would be 11.1% for 1Q2017, which was higher than that of 8.1% for FY2016 mainly because of the further rise in net profit margin — adjusted in 1Q2017.

### Return on equity

Our return on equity increased from 7.5% for FY2015 to 8.8% for FY2016. Excluding the Listing expenses of RM2.4 million and the dividend of RM5.0 million declared by FIPB to PRG Holdings on 14 September 2017, our return on equity — adjusted would amount to 8.1% and 12.8% for FY2015 and FY2016, respectively. The increase was primarily due to the increase in adjusted net profit margin from 6.1% to 9.3% as our operating performance improved. See “Combined Statements of Changes in Equity” in the Accountant’s Report for further details.

Subsequently, our return on equity decreased from 8.8% for FY2016 to 6.5% for 1Q2017. Excluding the Listing expenses of RM2.1 million, our return on equity — adjusted would amount to 19.9% for 1Q2017, which was higher than that of 12.8% for FY2016 primarily attributable to the further rise in net profit margin — adjusted for 1Q2017 and the decrease of total equity by RM7.3 million mainly due to dividend paid to our Controlling Shareholder in 1Q2017.

### Interest coverage ratio

Our interest coverage ratio amounted to 7.4 times for FY2015, 7.9 times for FY2016 and 7.7 times for 1Q2017. Excluding Listing expenses of RM2.4 million and RM2.1 million for FY2016 and 1Q2017, respectively, the interest coverage ratio — adjusted would be 10.0 times and 14.9 times, respectively. The increase for FY2016 was primarily due to (i) the increase in profit before interest and tax by RM1.2 million (or 14.9%) because of our improved operating performance; and (ii) the reduction in interest rates of the loans from 4.00% to 8.60% in FY2015 to 3.25% to 8.45% in FY2016, while the increase for 1Q2017 was primarily due to the increased profit before interest and tax in 1Q2017.

### Net debt to equity ratio

Net cash positions of RM5.3 million, RM2.9 million and RM0.8 million were recorded as at 31 December 2015 and 2016 and 31 March 2017, respectively. As such, the calculation of net debt to equity ratios was not applicable.

### Gearing ratio

Our gearing ratio remained relatively stable as at 31 December 2015 and 2016 and 31 March 2017.

## FINANCIAL INFORMATION

### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISK MANAGEMENT

#### Foreign currency risk

In FY2015, FY2016 and 1Q2017, 60.7%, 63.5% and 62.5% of our revenue was denominated in US dollars whereas 54.5%, 51.0% and 48.9% of our raw material purchase was denominated in US dollars. Therefore, we had a net US dollar exposure arising from our income after settling the purchases. While we adopted Malaysian Ringgit as our reporting currency, some of our assets and liabilities such as trade receivables and payables was denominated in other currencies, such as US dollars. From time to time, we have a net position in such currencies. These foreign currency balances are revalued at each accounting year or period end with the then prevailing exchange rate and may give rise to translational foreign currency exchange gain or loss.

The carrying amount of monetary assets and liabilities denominated in USD and Euro as at each of the year and period ends during the Track Record Period is presented as follows:

|                               | <i>USD</i><br><i>RM'000</i> | <i>Euro</i><br><i>RM'000</i> |
|-------------------------------|-----------------------------|------------------------------|
| <b>As at 31 December 2015</b> |                             |                              |
| Trade and other receivables   | 10,122                      | 167                          |
| Cash and bank balances        | 14,384                      | 58                           |
| Trade and other payables      | (2,195)                     | —                            |
| Bank borrowings               | <u>(3,881)</u>              | <u>—</u>                     |
| Overall net exposure          | <u>18,430</u>               | <u>225</u>                   |
|                               | <i>USD</i><br><i>RM'000</i> | <i>Euro</i><br><i>RM'000</i> |
| <b>As at 31 December 2016</b> |                             |                              |
| Trade and other receivables   | 11,654                      | 110                          |
| Cash and bank balances        | 11,275                      | 403                          |
| Trade and other payables      | (1,847)                     | (72)                         |
| Bank borrowings               | <u>(4,867)</u>              | <u>—</u>                     |
| Overall net exposure          | <u>16,215</u>               | <u>441</u>                   |
|                               | <i>USD</i><br><i>RM'000</i> | <i>Euro</i><br><i>RM'000</i> |
| <b>As at 31 March 2017</b>    |                             |                              |
| Trade and other receivables   | 8,248                       | —                            |
| Cash and bank balances        | 7,874                       | 456                          |
| Trade and other payables      | (6,430)                     | —                            |
| Bank borrowings               | <u>(685)</u>                | <u>—</u>                     |
| Overall net exposure          | <u>9,007</u>                | <u>456</u>                   |

## FINANCIAL INFORMATION

For details of the sensitivity analysis in relation to foreign currency risk, see “Foreign currency risk” in Note 34(a) to the Accountant’s Report.

During the Track Record Period, we had a net US dollar position from our export sales and the strong US dollar against RM and VND has benefited our revenue and profitability. Going forward, as our Directors consider US dollar will continue to appreciate against RM and VND, we do not intend to take step to hedge our exposure to US dollars. Nevertheless, our Directors will consult our bankers from time to time for the upcoming trends of foreign currencies. In case our Directors hold the view that US dollar may depreciate against RM and VND, we will consider taking steps to hedge our foreign currency exposures, including entering into hedging with financial instruments. We may also negotiate with our customers to increase the price of our products to lessen the impact on our profitability.

### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of our Group’s financial instruments will fluctuate because of changes in market interest rates. Our interest rate risk mainly arises from finance leases, term loans, trade financing facilities and bank overdrafts which are carried at variable rates, which expose us to interest rate risk. As at 31 December 2015 and 2016 and 31 March 2017, if interest rates were to increase or decrease by 50 basis points and all other variables were held constant, our Group’s profit for FY2015, FY2016 and 1Q2017 would decrease or increase by approximately RM85,000, RM90,000 and RM110,000, respectively, as a result of increase or decrease in net interest expense. We manage our interest rate exposure with a focus on reducing (i) our overall debt balance; and (ii) exposure to changes in interest rates. Due to the relatively small exposure and the additional risk involved, we do not foresee the use of derivatives such as interest rate swaps to manage our interest rate exposure in the future.

### **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and bank balances, the availability of funding from an adequate amount of facilities from banks and the ability to repay such debts. Our Group actively manages our debt maturity profile, operating cash flows and the availability of funding so as to ensure all operating, investing and financing needs are met.

Our Group maintains liquidity by a number of sources including orderly realisation of receivables and bank overdrafts; and long-term financing including long-term borrowings. Our Group aims to maintain flexibility in funding by keeping sufficient bank balances and committed credit lines available.

See the table included in Note 34 (c) to the Accountant’s Report for an analysis of our financial liabilities classified by maturity groups based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

### **Credit risk**

Our Group’s credit risk is primarily attributable to trade and other receivables. We have credit policies in place and the exposures to these credit risks are monitored on an ongoing basis. In order to minimise the credit risk, we generally require our new customers to pay a deposit followed by settlement prior to delivery. For our major customers and customers with an established ordering record, we may provide credit to them on a case by case basis when they order with us. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the

## FINANCIAL INFORMATION

customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

We generally grant credit terms of 30 to 90 days to our major and repeat customers and establish credit limits for each customer, which represent the maximum open amount or credit term without requiring further approval from our management. We follow up with the customers to settle the due balances and continuously monitor the settlement progress.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when our Group has significant exposure to a risk of default by individual customers.

### PROPERTY INTERESTS

Greater China Appraisal Limited, an independent property valuation firm, had assessed our property interests in Malaysia and Vietnam as at 31 July 2017. The text of Greater China Appraisal Limited's letter, the summary of values and the valuation certificate are set out in Appendix III to this prospectus.

The following table sets forth the reconciliation between the net book value of the relevant properties as at 31 March 2017 as extracted from our Accountant's Report and the property valuation report set out in Appendix III to this prospectus as at 31 July 2017:

|                                                                                                                                                  | <i>RM'000</i>        |
|--------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Net book value of the Group's property interest as at 31 March 2017                                                                              | 28,860               |
| Depreciation charge for the period from 1 April 2017 to 31 July 2017                                                                             | <u>(732)</u>         |
| Net book value of the Group's property interest as at 31 July 2017                                                                               | 28,128               |
| Net valuation surplus                                                                                                                            | <u>35,237</u>        |
| Valuation of the relevant properties as at 31 July 2017 as set forth in the property valuation report set out in Appendix III to this prospectus | <u><u>63,365</u></u> |

## FINANCIAL INFORMATION

### DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. The dividend in FY2015 and FY2016 represented final dividends declared by the following subsidiaries to PRG Holdings before the Reorganisation:

|           | Year ended 31 December |                | Three months ended<br>31 March |                |
|-----------|------------------------|----------------|--------------------------------|----------------|
|           | 2015<br>RM'000         | 2016<br>RM'000 | 2016<br>RM'000<br>(Unaudited)  | 2017<br>RM'000 |
| FVSC (VN) | 738                    | 10,507         | 1,389                          | 8,463          |
| TMSB (MY) | <u>750</u>             | <u>—</u>       | <u>—</u>                       | <u>—</u>       |
|           | <u>1,488</u>           | <u>10,507</u>  | <u>1,389</u>                   | <u>8,463</u>   |

On 14 September 2017, FIPB declared dividend of RM5.0 million to PRG Holdings which was settled by our internal resources before the Listing.

### No specific dividend payout ratio

Our Board does not have a dividend policy specifying a dividend payout ratio. The payment and the amount of any dividends, if paid, will depend on our results of operations, cash flows, financial condition, future prospects, capital expenditure, expansion plan(s) and other factors that our Board may consider relevant. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

### DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands on 3 March 2017 as an investment holding company and had no reserve available for distributions to our Shareholders as at the Latest Practicable Date.

### DISCLOSURE REQUIREMENTS UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors confirmed that as at the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirement under Rule 17.15 to Rule 17.21 of the GEM Listing Rules.

### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, save as disclosed in “Principal Income Statement Components — Listing expenses” in this section, up to the date of this prospectus, there had been no material adverse change in our financial or trading position since 31 March 2017.

## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

### BUSINESS OBJECTIVES AND STRATEGIES

Our objective is to enhance our market share in the elastic textile and webbing industry and continue to strengthen our competitive strengths. See “Business — Our Business Strategies” in this prospectus for details of our business strategies.

### IMPLEMENTATION PLANS

We will endeavour to achieve the following milestone events during the period from the Latest Practicable Date to 31 December 2019, and their respective scheduled completion times are based on certain bases and assumptions as set out in “Bases and Key Assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in “Risk Factors” in this prospectus. Therefore, there is no assurance that our business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

#### For the period from the Latest Practicable Date to 31 December 2017

| Business strategies                            | Implementation plans                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Investment<br>(HK\$' million) | Sources of funding     |
|------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|------------------------|
| Expand our production capacity                 | Seat belt webbing <ul style="list-style-type: none"> <li>Acquire weaving and cutting machines</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                  | 1.1                           | Listing proceeds       |
| Move into new product applications and markets | <ul style="list-style-type: none"> <li>Conduct preliminary discussion with and develop narrow elastic fabric samples for prospective customers that manufacture sportswear</li> <li>Conduct preliminary discussion with and develop product samples to undergo qualification and testing for a South Korean safety belt manufacturer and other prospective South Korean customers that produce automobile seat belt systems</li> <li>Acquire new testing equipment</li> <li>Attend trade fairs and exhibitions</li> </ul> | 0.1                           | Our internal resources |
| Enhance our quality control systems            | Conduct internal training                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | —                             | Not applicable         |
| Upgrade our information technology systems     | Identify vendor and project evaluation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | —                             | Not applicable         |

## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

**For the six months ending 30 June 2018:**

| <b>Business strategies</b>                     | <b>Implementation plans</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>Investment<br/>(HK\$' million)</b> | <b>Sources of funding</b> |
|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------|
| Expand our production capacity                 | Covered elastic yarn <ul style="list-style-type: none"> <li>● Acquire covering machines</li> </ul><br>Narrow elastic fabric <ul style="list-style-type: none"> <li>● Acquire needle machines</li> <li>● Commence construction of new factory</li> </ul>                                                                                                                                                                                                                                                                                                            | 6.4                                   | Listing proceeds          |
| Move into new product applications and markets | <ul style="list-style-type: none"> <li>● Develop narrow elastic fabric samples for prospective customers that manufacture sportswear</li> <li>● Start producing and selling seat belt webbing to the South Korean safety belt manufacturer</li> <li>● Continue to conduct discussion with other prospective South Korean customers that produce automobile seat belt systems</li> <li>● Acquire new testing equipment</li> <li>● Attend trade fairs and exhibitions</li> <li>● Recruit staff for product modification team and sales and marketing team</li> </ul> | 0.2                                   | Our internal resources    |
| Enhance our quality control systems            | <ul style="list-style-type: none"> <li>● Conduct internal training</li> <li>● Recruit quality control technicians</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                       | —                                     | Not applicable            |
| Upgrade our information technology systems     | <ul style="list-style-type: none"> <li>● Commence and implement ERP system upgrade</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0.5                                   | Listing proceeds          |

## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

**For the six months ending 31 December 2018**

| <b>Business strategies</b>                     | <b>Implementation plans</b>                                                                                                                                                                                                                                                                                                                                              | <b>Investment<br/>(HK\$' million)</b> | <b>Sources of funding</b> |
|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------|
| Expand our production capacity                 | Seat belt webbing <ul style="list-style-type: none"> <li>● Acquire weaving and dyeing machines</li> </ul><br>Covered elastic yarn <ul style="list-style-type: none"> <li>● Acquire covering machines</li> </ul><br>Narrow elastic fabric <ul style="list-style-type: none"> <li>● Acquire needle and covering machines</li> <li>● Construction of new factory</li> </ul> | 15.5                                  | Listing proceeds          |
| Move into new product applications and markets | <ul style="list-style-type: none"> <li>● Start producing and selling narrow elastic fabric to sportswear manufacturing customers</li> <li>● Attend trade fairs and exhibitions</li> </ul>                                                                                                                                                                                | —                                     | Not applicable            |
| Enhance our quality control systems            | <ul style="list-style-type: none"> <li>● Conduct internal training</li> </ul>                                                                                                                                                                                                                                                                                            | —                                     | Not applicable            |
| Upgrade our information technology systems     | <ul style="list-style-type: none"> <li>● Implement ERP system upgrade</li> </ul>                                                                                                                                                                                                                                                                                         | 0.5                                   | Listing proceeds          |



## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

### For the six months ending 30 June 2019

| Business strategies                            | Implementation plans                                                                                                                                                                                                                                                                                                                                       | Investment<br>(HK\$' million) | Sources of funding |
|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|--------------------|
| Expand our production capacity                 | Seat belt webbing <ul style="list-style-type: none"> <li>● Acquire weaving machines</li> </ul><br>Covered elastic yarn <ul style="list-style-type: none"> <li>● Acquire covering machines</li> </ul><br>Narrow elastic fabric <ul style="list-style-type: none"> <li>● Acquire needle machines</li> <li>● Construction of new factory completes</li> </ul> | 7.6                           | Listing proceeds   |
| Move into new product applications and markets | <ul style="list-style-type: none"> <li>● Attend trade fairs and exhibitions</li> <li>● Recruit staff for product modification team and sales and marketing team</li> </ul>                                                                                                                                                                                 | —                             | Not applicable     |
| Enhance our quality control systems            | <ul style="list-style-type: none"> <li>● Conduct internal training</li> <li>● Recruit quality control technicians</li> </ul>                                                                                                                                                                                                                               | —                             | Not applicable     |
| Upgrade our information technology systems     | <ul style="list-style-type: none"> <li>● Complete ERP system upgrade</li> </ul>                                                                                                                                                                                                                                                                            | 1.0                           | Listing proceeds   |

### For the six months ending 31 December 2019

| Business strategies                            | Implementation plans                                                                                                                                                                                | Investment<br>(HK\$' million) | Sources of funding |
|------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|--------------------|
| Expand our production capacity                 | Seat belt webbing <ul style="list-style-type: none"> <li>● Acquire weaving machines</li> </ul><br>Narrow elastic fabric <ul style="list-style-type: none"> <li>● Acquire needle machines</li> </ul> | 1.8                           | Listing proceeds   |
| Move into new product applications and markets | <ul style="list-style-type: none"> <li>● Attend trade fairs and exhibitions</li> </ul>                                                                                                              | —                             | Not applicable     |
| Enhance our quality control systems            | <ul style="list-style-type: none"> <li>● Conduct internal training</li> </ul>                                                                                                                       | —                             | Not applicable     |
| Upgrade our information technology systems     | <ul style="list-style-type: none"> <li>● Trial and full operation of new ERP system</li> </ul>                                                                                                      | —                             | Not applicable     |

## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

### BASES AND KEY ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 31 December 2019:

- (a) there will be no material change in the existing political, legal, fiscal or economic conditions in Hong Kong, Malaysia, Vietnam or in any other places in which any member of our Group carries on or will carry on business;
- (b) there will be no outbreak of contagious diseases or occurrence of *force majeure* events or natural disasters in Hong Kong, Malaysia, Vietnam or any other places in which any member of our Group operates or will operate or is incorporated, which would materially disrupt our business operations or cause substantial loss, damage or destruction to our properties or facilities;
- (c) there will be no material change in the existing laws, regulations, policies or industry standards in Hong Kong, Malaysia, Vietnam or any part of the world relating or applicable to us;
- (d) there will be no material change in the bases or rates of taxation in Hong Kong, Malaysia, Vietnam or in any other places in which any member of our Group operates or will operate or is incorporated;
- (e) the Share Offer will be completed in accordance with and as described in “Structure and Conditions of the Share Offer” in this prospectus;
- (f) our Group is able to retain our key management personnel, employees, customers and suppliers;
- (g) our Group will not be materially affected by any risk factors set out in “Risk Factors” in this prospectus;
- (h) there will be no change in the effectiveness of any licences and permits obtained by us;
- (i) we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate; and
- (j) our Group will be able to continue its operations in substantially the same manner as our Group had been operating during the Track Record Period and our Group will be able to carry out the development plans without disruptions adversely affecting its operations or business objectives in any way.

## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

### REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

We are wholly owned by PRG Holdings prior to the Share Offer. PRG Holdings is principally engaged in property development, construction and the businesses of our Group. As the nature and operations of our business are entirely different from those of the other business of PRG Holdings, our Directors considered a standalone fund raising platform for our Group necessary which can (i) align the interests of investors who may be more vested in our manufacturing business; (ii) delineate our management and operating functions from other business of PRG Holdings so that we can benefit from a more defined business focus; and (iii) open up new financing channels to obtain funds at terms that are more suitable to our needs and risk profiles.

We intend to expand our production facilities in order to capture the upcoming business opportunities for our elastic textile and webbing products. Our Directors consider financing our expansion plans, which include increase of production capacity and upgrade of ERP system, that require capital expenditure in the sum of RM19.7 million (equivalent to HK\$34.4 million) by bank borrowings inappropriate after taking into consideration the nature of our existing bank facilities which are substantially restricted to trade finance purpose and the resultant significant rise in finance cost and gearing level should we increase our bank borrowing. Accordingly, our Directors decided to finance our expansion plans by the Share Offer.

Our Directors have evaluated various avenues for Listing and decided that Hong Kong is the most suitable venue for our Group because (i) Hong Kong is an international financial centre and listing on the Stock Exchange will enhance our profile and exposure to international financial community for the furtherance of our global market presence; (ii) PRG Holdings has been listed on Bursa Malaysia since 2003 and the Listing on the Stock Exchange will further broaden the bases and profiles of our Shareholders; (iii) a significant portion of the capital expenditures in respect of our expansion plans as set out in this section, which will be funded by the net proceeds from the Share Offer, as well as those of any further expansion plans that may be pursued by our Group in Vietnam in the future, will/are expected to be mainly settled in USD and therefore raising funds in HK\$, which is pegged to the USD, through listing on GEM may reduce the relevant currency risk; and (iv) as advised by our Malaysian Legal Advisers, direct offshore investment by our Company and/or our non-Malaysian incorporated subsidiaries is not subject to the restriction to limit any Malaysian resident entity's offshore investment to RM50 million in aggregate per calendar year in accordance with the relevant foreign exchange control policies in Malaysia, details of which are set out in "Regulatory Overview — Malaysian Regulatory Overview — D. Foreign Exchange Control" in this prospectus, that serve to monitor capital inflows and outflows into and out of the country which may subject our further expansion plans in Vietnam in the future to some uncertainty.

## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Assuming that the Offer Size Adjustment Option is not exercised at all, based on the Offer Price of HK\$0.5 per Offer Share, the net proceeds of the Share Offer, after deduction of underwriting fees and other expenses payable by our Company in relation to the Share Offer, are estimated to be HK\$35.6 million. Our Company currently intends to use the net proceeds from the Share Offer as follows:

|                                                               | For the six months ending                    |                |                |                |                |                | Approximate<br>% of the total<br>net proceeds |
|---------------------------------------------------------------|----------------------------------------------|----------------|----------------|----------------|----------------|----------------|-----------------------------------------------|
|                                                               | From the<br>Latest<br>Practicable<br>Date to |                |                |                |                |                |                                               |
|                                                               | 31 December                                  | 30 June        | 31 December    | 30 June        | 31 December    | Total          |                                               |
|                                                               | 2017                                         | 2018           | 2018           | 2019           | 2019           |                |                                               |
|                                                               | (HK\$ million)                               | (HK\$ million) | (HK\$ million) | (HK\$ million) | (HK\$ million) | (HK\$ million) |                                               |
| Expand our production capacity                                | 1.1                                          | 6.4            | 15.5           | 7.6            | 1.8            | 32.4           | 91.0                                          |
| Upgrade our information technology systems                    | —                                            | 0.5            | 0.5            | 1.0            | —              | 2.0            | 5.6                                           |
| Funding of our working capital and general corporate purposes | 1.2                                          | —              | —              | —              | —              | 1.2            | 3.4                                           |
|                                                               | 2.3                                          | 6.9            | 16.0           | 8.6            | 1.8            | 35.6           | 100.0                                         |

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes and to the extent permitted by applicable laws and regulations, if we are unable to effect any part of our future plans as intended, it is the present intention of our Directors that such net proceeds be placed in short-term interest bearing deposit accounts held with banks in Hong Kong, Malaysia or Vietnam and/or through money market instruments. In the event that we would require additional financing apart from the net proceeds from the Share Offer for our future plans, the shortfall will be financed by our internal resources and/or bank financing, as appropriate.

If the Offer Size Adjustment Option is exercised in full, the net proceeds from the Share Offer will increase to HK\$44.7 million. We intend to adjust the allocation of the net proceeds to the above uses, on pro rata basis.

## UNDERWRITING

### PUBLIC OFFER UNDERWRITER

Yuanta Securities (Hong Kong) Company Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Public Offer

##### *Public Offer Underwriting Agreement*

Pursuant to the Public Offer Underwriting Agreement, our Company is offering the Public Offer Shares for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to (a) the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus and such listing and permission not subsequently being revoked; and (b) certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriter has agreed to subscribe for, or procure subscribers for, the Public Offer Shares which are being offered but are not taken up under the Public Offer, on the terms and conditions set out in this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

##### *Grounds for termination*

The obligations of the Public Offer Underwriter to subscribe or procure subscribers for the Public Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriter) shall have the right, in its sole and absolute discretion, to terminate the underwriting arrangements with immediate effect pursuant to the Public Offer Underwriting Agreement by notice in writing given to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the “**Termination Time**”), if any of the following events shall occur prior to the Termination Time:

- (a) there has come to the notice of the Sole Global Coordinator:
  - (i) that any statement contained in any of this prospectus, the Application Forms, and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Share Offer (including any supplement or amendments thereto) (collectively, the “**Relevant Documents**”) was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriter), fair and honest and based on reasonable assumptions, when taken as a whole; or
  - (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute a material omission therefrom; or

## UNDERWRITING

- (iii) any breach of any of the obligations imposed or to be imposed upon any party to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (in each case, other than on the part of the Underwriter); or
- (iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, our executive Directors and the Controlling Shareholder (the “**Warrantors**”) pursuant to the indemnities given by them under the Public Offer Underwriting Agreement or under the Placing Underwriting Agreement; or
- (v) any change or development involving a prospective material adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders’ equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group (“**Group Company**”); or
- (vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the warranties, indemnities, agreements and undertakings to be given by the Warrantors respectively in terms set out in the Public Offer Underwriting Agreement; or
- (vii) the approval by the Stock Exchange of the listing of, and permission to deal in, the Shares in issue and to be issued (including any additional Shares that may be issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme) on GEM is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws any of the Relevant Documents or the Share Offer; or
- (ix) any person has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents (as defined in the Public Offer Underwriting Agreement) or to the issue of any of the Offer Documents (as defined in the Public Offer Underwriting Agreement); or
- (x) that a petition or an order is presented for the winding-up or liquidation of any Group Company or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or
- (xi) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of the Directors and senior management members of our Group as set out in “Directors and Senior Management” in this prospectus; or
- (xii) a portion of the orders in the bookbuilding process, which is considered by the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriter) in its absolute opinion to be material, at the time the Placing Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors (if any) after signing of agreements with such cornerstone investors, have been withdrawn, terminated

## UNDERWRITING

or cancelled, and the Sole Global Coordinator, in its sole and absolute discretion, concludes that it is therefore inadvisable or inexpedient or impracticable to proceed with the Share Offer; or

- (xiii) any loss or damage has been sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriter) in its sole and absolute opinion to be material; or

(b) there shall develop, occur, exist or come into effect:

- (i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriter (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms) or interruption or delay in transportation); or
- (ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or
- (iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the Bursa Malaysia Securities Berhad, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the NASDAQ National Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange; or
- (iv) any new laws(s), rule(s), statute(s), ordinance(s), regulation(s), guideline(s), opinion(s), notice(s), circular(s), order(s), judgment(s), decree(s) or ruling(s) of any governmental authority (“**Law(s)**”), or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, Malaysia, Vietnam, the PRC, the BVI, the United States, the Cayman Islands, the United Kingdom, the European Union (or any member thereof), or any other jurisdictions relevant to any Group Company or the Share Offer (the “**Specific Jurisdictions**”); or

## UNDERWRITING

- (v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of RM or VND against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or
- (viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in “Risk Factors” in this prospectus; or
- (ix) any litigation or claim of any third party being threatened or instigated against any Group Company or any of the Warrantors; or
- (x) any of the Directors and senior management members of our Company as set out in “Directors and Senior Management” in this prospectus being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairman or chief executive officer of our Company vacating his office; or
- (xii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (xiii) a contravention by any Group Company or any Director of the GEM Listing Rules, the Companies Ordinance or any other Laws applicable to the Share Offer; or
- (xiv) a prohibition on our Company for whatever reason from allotting, issuing the Offer Shares and/or the Offer Size Adjustment Shares pursuant to the terms of the Share Offer; or
- (xv) non-compliance of this prospectus and the other Relevant Documents or any aspect of the Share Offer with the GEM Listing Rules or any other Laws applicable to the Share Offer; or
- (xvi) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Share Offer pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the GEM Listing Rules or any requirement or request of the Stock Exchange and/or SFC; or



## UNDERWRITING

- (xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity,

which in each case individually or in aggregate in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriter):

- (a) has or is or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or prospects or risks of our Company or our Group or any Group Company or on any present or prospective shareholder of our Company in his, her or its capacity as such; or
- (b) has or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or
- (c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Public Offer Underwriting Agreement or the Share Offer to be performed or implemented or proceeded with as envisaged or to market the Share Offer or shall otherwise result in a material interruption to or delay thereof; or
- (d) has or will or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

### *Fees, Commission and Expenses*

Pursuant to the Public Offer Underwriting Agreement, our Company will pay to the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriter) an underwriting commission of 3.0% of the aggregate Offer Price of all Public Offer Shares, out of which the Sole Global Coordinator will pay any sub-underwriting commissions. We may also in our discretion pay the Sole Global Coordinator an additional incentive fee for the Offer Shares. The Sole Sponsor will receive a sponsor fee of HK\$4.4 million in relation to the Listing and will be reimbursed for their expenses. The Sole Sponsor is also entitled to an arrangement fee at a rate of 0.5% of the aggregate Offer Price of all Offer Shares from the Share Offer. The total underwriting commission, fees and expenses relating to the Share Offer and Listing (including the GEM Listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, and printing), are estimated to be approximately RM14.9 million (equivalent to HK\$27.4 million).

### **The Placing**

#### *Placing Underwriting Agreement*

In connection with the Placing, we expect to enter into the Placing Underwriting Agreement with, among others, the Placing Underwriter.

Under the Placing Underwriting Agreement, the Placing Underwriter would, subject to certain conditions, agree to purchase the Placing Shares or procure purchasers for the Placing Shares initially being offered pursuant to the Placing. See “Structure and Conditions of the Share Offer — The Placing”

## UNDERWRITING

in this prospectus for further details. Under the Placing Underwriting Agreement, we intend to grant to the Placing Underwriter the Offer Size Adjustment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Sole Global Coordinator on behalf of the Placing Underwriter at any time from the date of this prospectus to before 6:00 p.m. on the business day immediately prior to the date of the announcement of the level of indication of interest in the Share Offer, to require us to issue and allot up to an aggregate of 18,900,000 additional new Shares, representing up to 15% of the Offer Shares initially available under the Share Offer and at the Offer Price, to cover over-allocations in the Placing, if any.

### UNDERWRITER'S INTEREST IN OUR COMPANY

Save as provided for under the Underwriting Agreements, the Underwriter does not have any shareholding interests in any member of our Group nor have any right or option to subscribe for or nominate persons to subscribe for any Shares.

### SPONSOR AND ITS INDEPENDENCE

Shenwan Hongyuan Capital (H.K.) Limited as the Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules. The Sole Sponsor made an application on our behalf to the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein.

### COMPLIANCE ADVISER'S AGREEMENT

Pursuant to a compliance adviser's agreement dated 25 September 2017 and made between the Sole Sponsor and our Company (the "**Compliance Adviser's Agreement**"), our Company has appointed the Sole Sponsor, and the Sole Sponsor has agreed to act, as the compliance adviser to our Company for the purpose of the GEM Listing Rules for a fee from the Listing Date until the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year after the Listing Date or until the Compliance Adviser's Agreement is terminated pursuant to its terms and conditions.

### SPONSOR'S INTERESTS IN OUR COMPANY

The Sole Sponsor, being our Company's compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules, will also receive a financial advisory fee from our Company during the term of its appointment as the compliance adviser of our Company. Save for their interests and obligations under the Underwriting Agreements, the sole sponsorship fee payable to the Sole Sponsor in connection with the Listing, and the fee payable to the Sole Sponsor for acting as our compliance adviser, neither the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager nor any of its close associates has or may have, as a result of the Share Offer, any interest in any class of securities in our Company or any of its subsidiaries (including options or rights to subscribe for such securities).

No director or employee of the Sole Sponsor who is involved in providing advice to our Company has or may have, as a result of the Share Offer, any interest in any class of securities of our Company or any of our subsidiaries (including options or rights to subscribe for such securities that may be subscribed for or purchased by any such director or employee pursuant to the Share Offer).

No director or employee of the Sole Sponsor has a directorship in our Company or any of our subsidiaries.

## UNDERWRITING

### UNDERTAKINGS

#### Undertakings pursuant to the Public Offer Underwriting Agreement

##### *Undertakings by the Controlling Shareholder*

The Controlling Shareholder has undertaken to each of the Stock Exchange, our Company, the Sole Sponsor, the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriter), the Sole Bookrunner and the Sole Lead Manager that, except as permitted under the GEM Listing Rules and pursuant to the Share Offer, the Capitalisation Issue or the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriter):

- (i) at any time during the period commencing on the date of the Public Offer Underwriting Agreement and ending on and including the date that is six months after the Listing Date (the “**First Six-Month Period**”), it shall not, and shall procure that the relevant registered holder(s) and its associates or companies controlled by it and any nominee or trustee holding on trust for it (together, the “**Controlled Entities**”) shall not,
  - (a) offer, sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of or create any right (including without limitation the creation of any option, pledge, charge or other encumbrance or rights) over, or agree to transfer or dispose of or create any right (including without limitation the creation of any option, pledge, charge or other encumbrance or rights) over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it directly or indirectly through its Controlled Entities (the “**Relevant Securities**”), or deposit any Relevant Securities with a depository in connection with the issue of depository receipts; or
  - (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities;
  - (c) agree (conditionally or unconditionally) to enter or enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or
  - (d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above, which any of the foregoing transactions referred to in sub-paragraphs (a), (b), (c) or (d) is to be settled by delivery of Relevant Securities or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);
- (ii) at any time during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), it shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in sub-paragraphs

## UNDERWRITING

- (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or any right (including without limitation the creation of any option, pledge, charge or other encumbrance or rights) pursuant to such transaction, it would cease to be a “controlling shareholder” (as defined in the GEM Listing Rules) of our Company;
- (iii) in the event that it enters into any of the transactions specified in sub-paragraphs (i)(a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, it shall take all reasonable steps to ensure that it will not create a disorderly or false market for any Shares or other securities of our Company; and
- (iv) it shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the GEM Listing Rules on the sale, transfer or disposal by it or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

The Controlling Shareholder has also undertaken to each of the Company, the Sole Sponsor, the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriter), the Sole Bookrunner and the Sole Lead Manager that, within the period from the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (a) when it pledges or charges any securities or interests in the Relevant Securities, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriter) in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and
- (b) when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor, and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriter) in writing of such indications and the number of securities and nature of interests affected.

Our Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by the Controlling Shareholder and disclose such matters by way of an announcement to be published in accordance with the GEM Listing Rules as soon as possible.

### *Undertakings by the Company*

Our Company has undertaken to the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Public Offer Underwriter that, except pursuant to the Share Offer (including pursuant to the Offer Size Adjustment Option), the Capitalisation Issue or the exercise of any options granted or to be granted under the Share Option Scheme, the disposal of and increase in registered and paid up charter capital in FCV (VN) as disclosed in this prospectus and in compliance with the GEM Listing Rules and applicable Laws, during the First Six-Month Period, our Company will not, and will procure each other Group Company not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriter):

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant, agree to grant or sell any option, warrant, contract or right to subscribe for or purchase, grant, agree to grant or

## UNDERWRITING

purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any right (including without limitation the creation of any option, pledge, charge or other encumbrance or rights) over, or agree to transfer or dispose of or create any right (including without limitation the creation of any option, pledge, charge or other encumbrance or rights) over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of such other Group Company, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, with a depositary in connection with the issue of depositary receipts; or repurchase any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable; or

- (b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any shares or other securities of such other Group Company, as applicable); or
- (c) offer or agree to enter or enter into any transaction with the same economic effect as any transactions specified in sub-paragraphs (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in sub-paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other Group Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

Our Company has also undertaken that we will not, and will procure each other Group Company not to, enter into any of the transactions specified in sub-paragraphs (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that the Controlling Shareholder would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company or our Company would cease to hold a controlling interest of 30% or more in any major subsidiary (as defined in the GEM Listing Rules) (save and except the disposal of and increase in registered and paid up charter capital in FCV (VN) as disclosed in this prospectus) during the Second Six-Month Period.

In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in sub-paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

## UNDERWRITING

### Undertakings pursuant to the GEM Listing Rules

#### *Undertakings by the Controlling Shareholder*

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, our Controlling Shareholder has undertaken to our Company and to the Stock Exchange that it shall not, save as permitted under the GEM Listing Rules:

- (a) at any time during the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in respect of which it is shown by this prospectus to be the beneficial owner (direct or indirect interest); or
- (b) at any time during the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder (as defined under the GEM Listing Rules) of our Company.

Pursuant to Rule 13.19 of the GEM Listing Rules, our Controlling Shareholder has also undertaken to our Company and the Stock Exchange that, at any time during the First Six-Month Period and the Second Six-Month Period, it shall:

- (a) in the event that it pledges or charges any direct or indirect interest in the relevant securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, inform our Company immediately thereafter in writing of such pledge or charge, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any interest in securities under sub-paragraph (a) above, inform our Company immediately in writing, in the event that it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of securities affected.

#### *Undertakings by our Company*

Our Company has undertaken to the Stock Exchange that, except pursuant to the Share Offer (including the exercise of the Offer Size Adjustment Option) or any issue of Shares or securities in compliance with Rule 17.29(1) to (5) of the GEM Listing Rules, we will not issue any further shares of our Company or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which dealings in the Shares on GEM of the Stock Exchange commences (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing).



## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### STRUCTURE OF THE SHARE OFFER

The Share Offer comprises (subject to the Offer Size Adjustment Option):

- (i) the Public Offer of 12,600,000 new Shares (subject to reallocation as mentioned below) in Hong Kong; and
- (ii) the Placing of 113,400,000 new Shares (subject to reallocation as mentioned below).

Investors may apply for the Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for the Offer Shares under the Placing, but may not do both. The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme). The number of Offer Shares to be offered under the Public Offer and the Placing, respectively, may be subject to reallocation as mentioned below.

The Sole Global Coordinator (for itself and on behalf of the Underwriter) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the Placing, and with the consent of our Company, reduce the number of Offer Shares in the Share Offer at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notices of the reduction in the number of Offer Shares in the Share Offer will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.furniweb.com.my](http://www.furniweb.com.my), as soon as practicable following the decision to make such reduction or change and, in any event, not later than the morning of the day which is the last day for lodging applications under the Public Offer. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares may not be made until the last day for lodging applications under the Public Offer. The notices will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. If the number of Offer Shares is so reduced, applicant(s) who have already submitted an application will be notified that they are required to confirm their applications. All applicant(s) who have already submitted an application need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid.

### CONDITIONS OF THE SHARE OFFER

The Share Offer is conditional upon, among other things:

- (i) the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be allotted and issued as mentioned in this prospectus, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and
- (ii) the obligations of the Underwriter under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Global Coordinator (for itself and on behalf of the Underwriter)) and the Underwriting Agreements not being terminated in accordance with their respective terms,

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.furniweb.com.my](http://www.furniweb.com.my) on the next business day following such lapse.

### THE PUBLIC OFFER

#### Number of Shares initially offered

We are initially offering 12,600,000 Public Offer Shares at the Offer Price, representing 10% of the Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation of Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Public Offer will represent 2.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, and without taking into account Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and upon exercise of options as may be granted under the Share Option Scheme. The Public Offer is open to members of the public in Hong Kong as well as to institutional professional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions as set out in "Conditions of the Share Offer" in this section.

#### Allocation

Allocation of the Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by applicants. Allocation of the Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications under the Public Offer and any application for more than 12,600,000 Public Offer Shares initially available for subscription will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The level of indication of interest in the Placing, level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on Friday, 13 October 2017 through a variety of channels as described in "How to Apply for Public Offer Shares — 10. Publication of Results" in this prospectus.



## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

### **Reallocation**

Allocation of the Offer Shares between the Public Offer and the Placing is subject to adjustment which would have the effect of increasing the number of Offer Shares under the Public Offer to a certain percentage of the total number of Offer Shares offered under the Share Offer if certain prescribed total demand levels are reached. In the event of over-applications in the Public Offer, the Sole Global Coordinator shall apply a clawback mechanism following the closing of the application lists on the following basis:

- if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available for subscription under the Public Offer, then 25,200,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 37,800,000 Offer Shares, representing 30% of the Offer Shares initially available under the Share Offer;
- if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available for subscription under the Public Offer, then 37,800,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 50,400,000 Offer Shares, representing 40% of the Offer Shares initially available under the Share Offer; and
- if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available for subscription under the Public Offer, then 50,400,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 63,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Share Offer.

In each case, based on the additional Offer Shares reallocated to the Public Offer, the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may in its sole and absolute discretion reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

If the Public Offer is not fully subscribed, the Sole Global Coordinator will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares in such amount as the Sole Global Coordinator deem appropriate.

The Offer Shares to be offered in the Public Offer and the Placing may be re-allocated as between these offerings at the discretion of the Sole Global Coordinator.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

### **THE PLACING**

#### **Number of the Offer Shares initially offered**

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 113,400,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent

## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

22.5% of our Company's enlarged issue share capital immediately after the completion of the Share Offer and the Capitalisation Issue, but without taking into account Shares which may be allotted and issued upon exercise of any options as may be granted under the Share Option Scheme.

### **Allocation**

Pursuant to the Placing, the Placing Shares will be conditionally placed by the Placing Underwriter. The Placing Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a sizeable demand for such Placing Shares in Hong Kong. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be determined by the Sole Global Coordinator and will be based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Global Coordinator may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

### **OFFER PRICE PAYABLE ON APPLICATION**

The Offer Price of HK\$0.5 per Offer Share was determined and agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriter) as at the Latest Practicable Date after taking into account, among others, the expected demand for the Offer Shares. Applicants under the Public Offer should pay, on application, the Offer Price of HK\$0.5 per Offer Share and 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy. That means a total of HK\$2,020.15 is payable for every board lot of 4,000 Shares. The Application Forms have tables showing the exact amount payable for certain multiples of Public Offer Shares. See "How to Apply for Public Offer Shares" in this prospectus for further details.

### **ANNOUNCEMENT OF BASIS OF ALLOCATION**

Announcement of the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.furniweb.com.my](http://www.furniweb.com.my) on Friday, 13 October 2017.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on GEM are expected to commence on Monday, 16 October 2017. The Shares will be traded in board lots of 4,000 Shares each. The GEM stock code for the Shares is 8480.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. If the Stock Exchange grants the listing of and permission to deal in the Shares and our Company complies with the stock admission

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or, under contingent situation, any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interest.

Details of the Share Offer will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

### OFFER SIZE ADJUSTMENT OPTION

The Sole Global Coordinator can exercise the Offer Size Adjustment Option solely to cover any over-allocation in the Placing. Pursuant to the Offer Size Adjustment Option, our Company may be required to allot and issue up to an aggregate of 18,900,000 additional new Shares at the Offer Price, representing up to 15% of the Offer Shares initially available under the Share Offer. The Offer Size Adjustment Option can only be exercised at any time from the date of this prospectus to before 6:00 p.m. on the business day immediately prior to the date of the announcement of the level of indication of interest in the Share Offer, otherwise it will lapse. Any such additional Shares to be issued pursuant to the Offer Size Adjustment Option will not be used for price stabilisation purpose and is not subject to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong).

In the event that the Offer Size Adjustment Option is exercised in full, 18,900,000 additional new Shares will be issued resulting in a total number of 522,900,000 Shares in issue and the shareholding of the Shareholders will be diluted by approximately 3.6% following completion of the Share Offer and the exercise of the Offer Size Adjustment Option but without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme.

If the Offer Size Adjustment Option is exercised in full, we estimate that the additional net proceeds to be received by our Company will be approximately RM4.9 million (equivalent to HK\$9.1 million), after deducting all related expenses (including underwriting fees).

The net proceeds will be used in the same proportions as disclosed in “Statement of Business Objectives and Use of Proceeds” in this prospectus, on a pro-rata basis, irrespective of whether the Offer Size Adjustment Option is exercised.

Our Company will disclose in the announcement of the results of allocations and the basis of allocation of the Public Offer Shares whether, and to what extent, the Offer Size Adjustment Option has been exercised. In the event that the Offer Size Adjustment Option has not been exercised by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriter), our Company will confirm in such announcement that the Offer Size Adjustment Option has lapsed and cannot be exercised at any future date.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares. To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Lead Manager, and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Sole Lead Manager may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares and/or any of our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- an associate (as defined in the GEM Listing Rules) of any of the above;
- a core connected person (as defined in the GEM Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer; and

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 September 2017 to 12:00 noon on Friday, 6 October 2017 from:

- (i) the following office of the Sole Lead Manager:

**Yuanta Securities (Hong Kong) Company Limited**  
 23/F  
 Tower 1  
 Admiralty Centre  
 18 Harcourt Road  
 Admiralty  
 Hong Kong

- (ii) any of the following branches of **Standard Chartered Bank (Hong Kong) Limited**:

| District         | Branch                   | Address                                                                            |
|------------------|--------------------------|------------------------------------------------------------------------------------|
| Hong Kong Island | 88 Des Voeux Road Branch | 88 Des Voeux Road Central, Central                                                 |
|                  | Hennessy Road Branch     | 399 Hennessy Road, Wanchai                                                         |
| Kowloon          | Telford Gardens Branch   | Shop P9–12, Telford Centre, Telford Gardens, Tai Yip Street, Kwun Tong             |
| New Territories  | Metroplaza Branch        | Shop No. 175, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung                  |
|                  | Tseung Kwan O Branch     | Shop G37–40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O |

## HOW TO APPLY FOR PUBLIC OFFER SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 September 2017 until 12:00 noon on Friday, 6 October 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "HORSFORD NOMINEES LIMITED — FURNIWEB PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

|                                    |          |                                |
|------------------------------------|----------|--------------------------------|
| <b>Friday, 29 September 2017</b>   | <b>—</b> | <b>9:00 a.m. to 5:00 p.m.</b>  |
| <b>Saturday, 30 September 2017</b> | <b>—</b> | <b>9:00 a.m. to 1:00 p.m.</b>  |
| <b>Tuesday, 3 October 2017</b>     | <b>—</b> | <b>9:00 a.m. to 5:00 p.m.</b>  |
| <b>Wednesday, 4 October 2017</b>   | <b>—</b> | <b>9:00 a.m. to 5:00 p.m.</b>  |
| <b>Friday, 6 October 2017</b>      | <b>—</b> | <b>9:00 a.m. to 12:00 noon</b> |

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 6 October 2017, the last application day or such later time as described in "9. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

## 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person of whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Lead Manager (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Law, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Memorandum and Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- (vi) agree that none of our Company, the Sole Sponsor, the Sole Lead Manager, the Underwriter, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Lead Manager, the Underwriter and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Lead Manager and the Underwriter nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Lead Manager will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;



## HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
- (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and
  - (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

## 5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

### General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

### Hong Kong Securities Clearing Company Limited

Customer Service Centre  
1/F, One & Two Exchange Square,  
8 Connaught Place, Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Lead Manager and our Hong Kong Branch Share Registrar.



## HOW TO APPLY FOR PUBLIC OFFER SHARES

### Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;
  - (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that our Company, our Directors and the Sole Lead Manager will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
  - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
  - agree that none of our Company, the Sole Sponsor, the Sole Lead Manager, the Underwriter, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Lead Manager, the Underwriter and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Law, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Memorandum and Articles of Association of our Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

|                                  |                                 |                                     |
|----------------------------------|---------------------------------|-------------------------------------|
| <b>Friday, 29 September 2017</b> | <b>— 9:00 a.m. to 8:30 p.m.</b> | <sup>(1)</sup>                      |
| <b>Tuesday, 3 October 2017</b>   | <b>— 8:00 a.m. to 8:30 p.m.</b> | <sup>(1)</sup>                      |
| <b>Wednesday, 4 October 2017</b> | <b>— 8:00 a.m. to 8:30 p.m.</b> | <sup>(1)</sup>                      |
| <b>Friday, 6 October 2017</b>    | <b>— 8:00 a.m.</b>              | <sup>(1)</sup> <b>to 12:00 noon</b> |

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 29 September 2017 until 12:00 noon on Friday, 6 October 2017 (24 hours daily, except on Saturday, 30 September 2017 and the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 6 October 2017, the last application day or such later time as described in “9. Effect of Bad Weather on the Opening of the Application Lists” in this section.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to **give electronic application instructions** is a person who may be entitled to compensation under Section 40 (as applied by Section 342E) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

### Personal Data

The section of the Application Form heading “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Lead Manager, the Underwriter and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## 6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Sole Lead Manager and the Underwriter take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 6 October 2017.

## 7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Public Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 4,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure and Conditions of the Share Offer — Offer Price Payable on Application” in this prospectus.

### 9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 6 October 2017.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 6 October 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable” in this prospectus, an announcement will be made in such event.

### 10. PUBLICATION OF RESULTS

Our Company expects to announce the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Friday, 13 October 2017 on our Company’s website at [www.furniweb.com.my](http://www.furniweb.com.my) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.furniweb.com.my](http://www.furniweb.com.my) by no later than 9:00 a.m. on Friday, 13 October 2017;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Friday, 13 October 2017 to 12:00 midnight on Thursday, 19 October 2017;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 13 October 2017 to Wednesday, 18 October 2017 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 13 October 2017 to Tuesday, 17 October 2017 at the designated receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in “Structure and Conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 (as applied by Section 342E) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If our Company or our agents exercise their discretion to reject your application:**

Our Company, the Sole Lead Manager, and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.



## HOW TO APPLY FOR PUBLIC OFFER SHARES

### (iv) If

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Lead Manager believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 12,600,000 Public Offer Shares initially offered under the Public Offer.

## 12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 13 October 2017.

## 13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for.



## HOW TO APPLY FOR PUBLIC OFFER SHARES

Part of the Hong Kong identity card number/passport number, provided by you or the firstnamed applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Friday, 13 October 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, 16 October 2017 provided that the Share Offer has become unconditional and the right of termination described in "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### ***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 13 October 2017 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Friday, 13 October 2017, by ordinary post and at your own risk.

#### ***(ii) If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 13 October 2017, by ordinary post and at your own risk.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 13 October 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 13 October 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

### *(iii) If you apply via Electronic Application Instructions to HKSCC*

#### *Allocation of Public Offer Shares*

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

#### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 13 October 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "10. Publication of Results" above in this section on Friday, 13 October 2017.

You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 13 October 2017 or such other date as determined by HKSCC or HKSCC Nominees.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 13 October 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 13 October 2017.

### 14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares in issue and to be issued and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.



Tel : +852 2218 8288  
Fax: +852 2815 2239  
www.bdo.com.hk

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

## ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FURNIWEB HOLDINGS LIMITED AND SHENWAN HONGYUAN CAPITAL (H.K.) LIMITED

### INTRODUCTION

We report on the historical financial information relating to Furniweb Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages I-4 to I-64, which comprises the combined statements of financial position as at 31 December 2015 and 2016 and 31 March 2017 and the statement of financial position of the Company as at 31 March 2017, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the periods then ended (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-64 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 September 2017 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM**”).

### DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the 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 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 ACCOUNTANT'S 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 accountant's 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 accountant considers internal control relevant to the entity's 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 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 accountant's report, a true and fair view of the Company's financial position as at 31 March 2017, the Group's financial position as at 31 December 2015 and 2016 and 31 March 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

## REVIEW OF STUB PERIOD COMPARATIVE HISTORICAL FINANCIAL INFORMATION

We have reviewed the stub period comparative historical financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the three months ended 31 March 2016 and other explanatory information (together the "**Stub Period Comparative Historical Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, 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 GEM AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS)  
ORDINANCE****Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

**Dividends**

We refer to Note 28 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

**No statutory financial statements for the Company**

No statutory financial statements have been prepared for the Company since its date of incorporation.

**BDO Limited**

*Certified Public Accountants*

**Li Pak Ki**

Practising Certificate Number: P01330

Hong Kong

29 September 2017

**HISTORICAL FINANCIAL INFORMATION****Preparation of Historical Financial Information**

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were prepared in accordance with International Financial Reporting Standards (the “**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”) (the “**Underlying Financial Statements**”). The Underlying Financial Statements were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Malaysian Ringgit (“**RM**”) and all values are rounded to the nearest thousand (RM’000) except when otherwise indicated.

## COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

|                                                                   |      | Year ended<br>31 December |                 | Three months ended<br>31 March |                 |
|-------------------------------------------------------------------|------|---------------------------|-----------------|--------------------------------|-----------------|
|                                                                   |      | 2015                      | 2016            | 2016                           | 2017            |
|                                                                   | Note | RM'000                    | RM'000          | RM'000                         | RM'000          |
|                                                                   |      |                           |                 | (Unaudited)                    |                 |
| Revenue                                                           | 7    | 89,034                    | 97,937          | 22,283                         | 27,935          |
| Cost of sales                                                     |      | <u>(68,113)</u>           | <u>(71,074)</u> | <u>(17,338)</u>                | <u>(19,630)</u> |
| Gross profit                                                      |      | 20,921                    | 26,863          | 4,945                          | 8,305           |
| Other income/(expenses), net                                      | 8    | 1,597                     | 861             | (256)                          | 90              |
| Distribution costs                                                |      | (2,334)                   | (2,609)         | (586)                          | (665)           |
| Listing expenses                                                  |      | —                         | (2,404)         | —                              | (2,054)         |
| Administrative expenses                                           |      | (12,941)                  | (14,262)        | (3,327)                        | (3,676)         |
| Interest income                                                   |      | 487                       | 485             | 123                            | 128             |
| Finance costs                                                     | 13   | (1,079)                   | (1,155)         | (307)                          | (284)           |
| Share of profit/(loss) of a joint venture,<br>net of tax          | 18   | <u>235</u>                | <u>215</u>      | <u>(3)</u>                     | <u>54</u>       |
| Profit before income tax expense                                  | 9    | 6,886                     | 7,994           | 589                            | 1,898           |
| Income tax expense                                                | 14   | <u>(1,510)</u>            | <u>(1,326)</u>  | <u>(63)</u>                    | <u>(780)</u>    |
| Profit for the year/period                                        |      | 5,376                     | 6,668           | 526                            | 1,118           |
| Other comprehensive income, net of tax                            |      |                           |                 |                                |                 |
| Items that may be reclassified subsequently to<br>profit or loss: |      |                           |                 |                                |                 |
| Exchange differences on translation of<br>foreign operations      |      | 3,876                     | 1,210           | (613)                          | 59              |
| Share of other comprehensive income of<br>a joint venture         |      | <u>166</u>                | <u>46</u>       | <u>(24)</u>                    | <u>3</u>        |
| Other comprehensive income for<br>the year/period, net of tax     |      | <u>4,042</u>              | <u>1,256</u>    | <u>(637)</u>                   | <u>62</u>       |
| Total comprehensive income for<br>the year/period                 |      | <u>9,418</u>              | <u>7,924</u>    | <u>(111)</u>                   | <u>1,180</u>    |
| Profit/(loss) attributable to:                                    |      |                           |                 |                                |                 |
| Owners of the Company                                             |      | 5,636                     | 6,826           | 579                            | 1,178           |
| Non-controlling interests                                         |      | <u>(260)</u>              | <u>(158)</u>    | <u>(53)</u>                    | <u>(60)</u>     |
|                                                                   |      | <u>5,376</u>              | <u>6,668</u>    | <u>526</u>                     | <u>1,118</u>    |
| Total comprehensive income attributable to:                       |      |                           |                 |                                |                 |
| Owners of the Company                                             |      | 9,635                     | 8,085           | (55)                           | 1,240           |
| Non-controlling interests                                         |      | <u>(217)</u>              | <u>(161)</u>    | <u>(56)</u>                    | <u>(60)</u>     |
|                                                                   |      | <u>9,418</u>              | <u>7,924</u>    | <u>(111)</u>                   | <u>1,180</u>    |



## COMBINED STATEMENTS OF FINANCIAL POSITION

|                                              |       | As at 31 December |               | As at         |
|----------------------------------------------|-------|-------------------|---------------|---------------|
|                                              |       | 2015              | 2016          | 31 March      |
|                                              | Note  | RM'000            | RM'000        | 2017          |
|                                              |       |                   |               | RM'000        |
| <b>Non-current assets</b>                    |       |                   |               |               |
| Property, plant and equipment                | 16    | 39,377            | 39,903        | 40,312        |
| Intangible assets                            | 17    | 1,296             | 1,277         | 1,272         |
| Interest in a joint venture                  | 18    | 1,413             | 1,355         | 972           |
| Loan to a fellow subsidiary                  | 20(d) | 7,066             | 7,489         | 7,594         |
| Deferred tax assets                          | 21    | <u>15</u>         | <u>3</u>      | <u>3</u>      |
|                                              |       | <u>49,167</u>     | <u>50,027</u> | <u>50,153</u> |
| <b>Current assets</b>                        |       |                   |               |               |
| Inventories                                  | 22    | 22,035            | 23,888        | 26,208        |
| Trade and other receivables                  | 19    | 18,455            | 20,792        | 19,423        |
| Amount due from a joint venture              | 20(a) | 95                | 47            | 69            |
| Amounts due from fellow subsidiaries         | 20(b) | 3,413             | 7,819         | 9,041         |
| Amount due from the ultimate holding company | 20(c) | 1,988             | 2,902         | 2,995         |
| Current tax recoverable                      |       | 494               | 283           | 192           |
| Time deposits maturing over three months     |       | 28                | 127           | 29            |
| Cash and bank balances                       |       | <u>17,134</u>     | <u>15,424</u> | <u>12,905</u> |
|                                              |       | <u>63,642</u>     | <u>71,282</u> | <u>70,862</u> |
| <b>Current liabilities</b>                   |       |                   |               |               |
| Trade and other payables                     | 23    | 17,379            | 21,924        | 25,335        |
| Amounts due to fellow subsidiaries           | 20(b) | 953               | 994           | 1,000         |
| Amount due to the ultimate holding company   | 20(c) | 9,730             | 8,216         | 12,144        |
| Obligations under finance leases             | 25    | 102               | 256           | 260           |
| Bank borrowings                              | 24    | 988               | 1,445         | 1,075         |
| Current tax liabilities                      |       | <u>433</u>        | <u>665</u>    | <u>843</u>    |
|                                              |       | <u>29,585</u>     | <u>33,500</u> | <u>40,657</u> |
| <b>Net current assets</b>                    |       | <u>34,057</u>     | <u>37,782</u> | <u>30,205</u> |
| <b>Total assets less current liabilities</b> |       | <u>83,224</u>     | <u>87,809</u> | <u>80,358</u> |

|                                                     |      | As at 31 December    |                      | As at                |
|-----------------------------------------------------|------|----------------------|----------------------|----------------------|
|                                                     |      | 2015                 | 2016                 | 31 March             |
|                                                     | Note | RM'000               | RM'000               | RM'000               |
| <b>Non-current liabilities</b>                      |      |                      |                      |                      |
| Obligations under finance leases                    | 25   | 339                  | 610                  | 544                  |
| Bank borrowings                                     | 24   | 10,423               | 10,186               | 10,183               |
| Deferred tax liabilities                            | 21   | <u>1,179</u>         | <u>996</u>           | <u>897</u>           |
|                                                     |      | <u>11,941</u>        | <u>11,792</u>        | <u>11,624</u>        |
| <b>NET ASSETS</b>                                   |      | <u><u>71,283</u></u> | <u><u>76,017</u></u> | <u><u>68,734</u></u> |
| <b>Equity</b>                                       |      |                      |                      |                      |
| Share capital                                       | 26   | —                    | —                    | —                    |
| Reserves                                            |      | <u>71,099</u>        | <u>75,994</u>        | <u>68,771</u>        |
| <b>Equity attributable to owners of the Company</b> |      | 71,099               | 75,994               | 68,771               |
| <b>Non-controlling interests</b>                    |      | <u>184</u>           | <u>23</u>            | <u>(37)</u>          |
| <b>TOTAL EQUITY</b>                                 |      | <u><u>71,283</u></u> | <u><u>76,017</u></u> | <u><u>68,734</u></u> |

## STATEMENT OF FINANCIAL POSITION OF THE COMPANY

|                                              |             | As at<br>31 March<br>2017<br><i>RM'000</i> |
|----------------------------------------------|-------------|--------------------------------------------|
|                                              | <i>Note</i> |                                            |
| <b>Current assets</b>                        |             |                                            |
| Other receivables                            |             | 1,586                                      |
| Amount due from the ultimate holding company | 20(c)       | <u>31</u>                                  |
|                                              |             | <u>1,617</u>                               |
| <b>Current liabilities</b>                   |             |                                            |
| Other payables                               |             | 3,633                                      |
| Amount due to a fellow subsidiary            | 20(b)       | 4                                          |
| Amount due to a subsidiary                   | 20(e)       | <u>63</u>                                  |
|                                              |             | <u>3,700</u>                               |
| <b>NET CURRENT LIABILITIES</b>               |             | <u><u>(2,083)</u></u>                      |
| <b>Equity</b>                                |             |                                            |
| Share capital                                | 26          | —                                          |
| Reserves                                     | 27          | <u>(2,083)</u>                             |
| <b>TOTAL EQUITY</b>                          |             | <u><u>(2,083)</u></u>                      |

|                                                                    |      | Share<br>capital    | Capital<br>reserve | Exchange<br>translation<br>reserve | Retained<br>earnings | Equity<br>attributable<br>to owners<br>of the<br>Company | Non-<br>controlling<br>interests | Total   |
|--------------------------------------------------------------------|------|---------------------|--------------------|------------------------------------|----------------------|----------------------------------------------------------|----------------------------------|---------|
|                                                                    | Note | RM'000<br>(Note 26) | RM'000<br>(Note)   | RM'000                             | RM'000               | RM'000                                                   | RM'000                           | RM'000  |
| <b>Balance as at 1 January 2015</b>                                |      | —                   | 22,841             | (5,211)                            | 45,322               | 62,952                                                   | 401                              | 63,353  |
| Profit for the year                                                |      | —                   | —                  | —                                  | 5,636                | 5,636                                                    | (260)                            | 5,376   |
| Exchange differences on translation of foreign operations          |      | —                   | —                  | 3,833                              | —                    | 3,833                                                    | 43                               | 3,876   |
| Share of other comprehensive income of a joint venture, net of tax |      | —                   | —                  | 166                                | —                    | 166                                                      | —                                | 166     |
| Total comprehensive income                                         |      | —                   | —                  | 3,999                              | 5,636                | 9,635                                                    | (217)                            | 9,418   |
| Transaction with owners                                            |      |                     |                    |                                    |                      |                                                          |                                  |         |
| Dividend paid                                                      | 28   | —                   | —                  | —                                  | (1,488)              | (1,488)                                                  | —                                | (1,488) |
| Total transaction with owners                                      |      | —                   | —                  | —                                  | (1,488)              | (1,488)                                                  | —                                | (1,488) |
| <b>Balance as at 31 December 2015</b>                              |      | —                   | 22,841             | (1,212)                            | 49,470               | 71,099                                                   | 184                              | 71,283  |

|                                                                          |           | Share<br>capital | Capital<br>reserve | Exchange<br>translation<br>reserve | Retained<br>earnings | Equity<br>attributable<br>to owners<br>of the<br>Company | Non-<br>controlling<br>interests | Total    |
|--------------------------------------------------------------------------|-----------|------------------|--------------------|------------------------------------|----------------------|----------------------------------------------------------|----------------------------------|----------|
| Note                                                                     | RM'000    | RM'000           | RM'000             | RM'000                             | RM'000               | RM'000                                                   | RM'000                           | RM'000   |
|                                                                          | (Note 26) | (Note)           |                    |                                    |                      |                                                          |                                  |          |
| <b>Balance as at 1 January<br/>2016</b>                                  |           | —                | 22,841             | (1,212)                            | 49,470               | 71,099                                                   | 184                              | 71,283   |
| Profit for the year                                                      |           | —                | —                  | —                                  | 6,826                | 6,826                                                    | (158)                            | 6,668    |
| Exchange differences on<br>translation of foreign<br>operations          |           | —                | —                  | 1,213                              | —                    | 1,213                                                    | (3)                              | 1,210    |
| Share of other comprehensive<br>income of a joint venture,<br>net of tax |           | —                | —                  | 46                                 | —                    | 46                                                       | —                                | 46       |
| Total comprehensive income                                               |           | —                | —                  | 1,259                              | 6,826                | 8,085                                                    | (161)                            | 7,924    |
| Transaction with owners                                                  |           |                  |                    |                                    |                      |                                                          |                                  |          |
| Dividend paid                                                            | 28        | —                | —                  | —                                  | (10,507)             | (10,507)                                                 | —                                | (10,507) |
| Capital contribution by PRG<br>Holdings to FVSC (VN)                     | 36        | —                | 7,317              | —                                  | —                    | 7,317                                                    | —                                | 7,317    |
| Total transaction with owners                                            |           | —                | 7,317              | —                                  | (10,507)             | (3,190)                                                  | —                                | (3,190)  |
| <b>Balance as at 31 December<br/>2016</b>                                |           | —                | 30,158             | 47                                 | 45,789               | 75,994                                                   | 23                               | 76,017   |

|                                                                    |                                         |                                        |                                              |                                | Equity<br>attributable<br>to owners<br>of the<br>Company | Non-<br>controlling<br>interests | Total          |
|--------------------------------------------------------------------|-----------------------------------------|----------------------------------------|----------------------------------------------|--------------------------------|----------------------------------------------------------|----------------------------------|----------------|
|                                                                    | Share<br>capital<br>RM'000<br>(Note 26) | Capital<br>reserve<br>RM'000<br>(Note) | Exchange<br>translation<br>reserve<br>RM'000 | Retained<br>earnings<br>RM'000 | RM'000                                                   | RM'000                           | RM'000         |
| <b>Balance as at 1 January 2016</b>                                | <u>—</u>                                | <u>22,841</u>                          | <u>(1,212)</u>                               | <u>49,470</u>                  | <u>71,099</u>                                            | <u>184</u>                       | <u>71,283</u>  |
| Profit for the period                                              | —                                       | —                                      | —                                            | 579                            | 579                                                      | (53)                             | 526            |
| Exchange differences on translation of foreign operations          | —                                       | —                                      | (610)                                        | —                              | (610)                                                    | (3)                              | (613)          |
| Share of other comprehensive income of a joint venture, net of tax | <u>—</u>                                | <u>—</u>                               | <u>(24)</u>                                  | <u>—</u>                       | <u>(24)</u>                                              | <u>—</u>                         | <u>(24)</u>    |
| Total comprehensive income (unaudited)                             | <u>—</u>                                | <u>—</u>                               | <u>(634)</u>                                 | <u>579</u>                     | <u>(55)</u>                                              | <u>(56)</u>                      | <u>(111)</u>   |
| Transaction with owners                                            |                                         |                                        |                                              |                                |                                                          |                                  |                |
| Dividend paid                                                      | 28 <u>—</u>                             | <u>—</u>                               | <u>—</u>                                     | <u>(1,389)</u>                 | <u>(1,389)</u>                                           | <u>—</u>                         | <u>(1,389)</u> |
| Total transaction with owners                                      | <u>—</u>                                | <u>—</u>                               | <u>—</u>                                     | <u>(1,389)</u>                 | <u>(1,389)</u>                                           | <u>—</u>                         | <u>(1,389)</u> |
| <b>Balance as at 31 March 2016 (unaudited)</b>                     | <u>—</u>                                | <u>22,841</u>                          | <u>(1,846)</u>                               | <u>48,660</u>                  | <u>69,655</u>                                            | <u>128</u>                       | <u>69,783</u>  |

|                                                                    |                                         |                                        |                                              |                                | Equity<br>attributable<br>to owners<br>of the<br>Company | Non-<br>controlling<br>interests | Total         |
|--------------------------------------------------------------------|-----------------------------------------|----------------------------------------|----------------------------------------------|--------------------------------|----------------------------------------------------------|----------------------------------|---------------|
|                                                                    | Share<br>capital<br>RM'000<br>(Note 26) | Capital<br>reserve<br>RM'000<br>(Note) | Exchange<br>translation<br>reserve<br>RM'000 | Retained<br>earnings<br>RM'000 | RM'000                                                   | RM'000                           | RM'000        |
| <b>Balance as at 1 January 2017</b>                                | —                                       | 30,158                                 | 47                                           | 45,789                         | 75,994                                                   | 23                               | 76,017        |
| Profit for the period                                              | —                                       | —                                      | —                                            | 1,178                          | 1,178                                                    | (60)                             | 1,118         |
| Exchange differences on translation of foreign operations          | —                                       | —                                      | 59                                           | —                              | 59                                                       | —                                | 59            |
| Share of other comprehensive income of a joint venture, net of tax | —                                       | —                                      | 3                                            | —                              | 3                                                        | —                                | 3             |
| Total comprehensive income                                         | —                                       | —                                      | 62                                           | 1,178                          | 1,240                                                    | (60)                             | 1,180         |
| Transaction with owners                                            |                                         |                                        |                                              |                                |                                                          |                                  |               |
| Issuance of nil paid shares                                        | —                                       | —                                      | —                                            | —                              | —                                                        | —                                | —             |
| Dividend paid/declared                                             | 28                                      | —                                      | —                                            | (8,463)                        | (8,463)                                                  | —                                | (8,463)       |
| Total transaction with owners                                      | —                                       | —                                      | —                                            | (8,463)                        | (8,463)                                                  | —                                | (8,463)       |
| <b>Balance as at 31 March 2017</b>                                 | <u>—</u>                                | <u>30,158</u>                          | <u>109</u>                                   | <u>38,504</u>                  | <u>68,771</u>                                            | <u>(37)</u>                      | <u>68,734</u> |

*Note:* Capital reserve represented the aggregate amount of issued share capital of FMSB (MY), TMSB (MY), TSMSB (MY), WTSB (MY), FVSC (VN) and 42.86% of the issued share capital of PEWAV (VN) as at that date.

## COMBINED STATEMENTS OF CASH FLOWS

|                                                                                                 |       | Year ended<br>31 December |         | Three months ended<br>31 March |         |
|-------------------------------------------------------------------------------------------------|-------|---------------------------|---------|--------------------------------|---------|
|                                                                                                 |       | 2015                      | 2016    | 2016                           | 2017    |
|                                                                                                 | Notes | RM'000                    | RM'000  | RM'000                         | RM'000  |
|                                                                                                 |       |                           |         | (Unaudited)                    |         |
| <b>Cash flows from operating activities</b>                                                     |       |                           |         |                                |         |
| Profit before income tax expense                                                                |       | 6,886                     | 7,994   | 589                            | 1,898   |
| Adjustments for:                                                                                |       |                           |         |                                |         |
| Amortisation of intangible assets                                                               | 17    | 29                        | 23      | 6                              | 5       |
| Depreciation of property, plant and equipment                                                   | 16    | 3,996                     | 3,634   | 961                            | 862     |
| Impairment loss on trade receivables                                                            | 19    | —                         | 15      | —                              | —       |
| Inventories written down                                                                        | 22    | 861                       | 587     | 138                            | 357     |
| Reversal of inventories written down                                                            | 22    | (2)                       | (63)    | —                              | —       |
| Interest income                                                                                 |       | (487)                     | (485)   | (123)                          | (128)   |
| Finance costs                                                                                   | 13    | 1,079                     | 1,155   | 307                            | 284     |
| Net loss/(gain) on disposal of property,<br>plant and equipment                                 | 8     | 120                       | (118)   | —                              | (9)     |
| Property, plant and equipment written off                                                       | 16    | —                         | 17      | —                              | —       |
| Share of (profit)/loss of a joint venture,<br>net of tax                                        | 18    | (235)                     | (215)   | 3                              | (54)    |
| Net unrealised (gain)/loss on foreign exchange                                                  | 8     | (208)                     | (212)   | 124                            | 40      |
| <b>Cash flows before movements in<br/>    working capital</b>                                   |       | 12,039                    | 12,332  | 2,005                          | 3,255   |
| Decrease/(increase) in inventories                                                              |       | 980                       | (1,846) | 988                            | (2,643) |
| (Increase)/decrease in trade and other receivables                                              |       | (1,122)                   | (1,688) | 1,705                          | 1,643   |
| Increase/(decrease) in trade and other payables                                                 |       | 1,834                     | 4,050   | (1,083)                        | 3,257   |
| <b>Cash generated from operations</b>                                                           |       | 13,731                    | 12,848  | 3,615                          | 5,512   |
| Tax refunded                                                                                    |       | 3                         | 495     | 177                            | —       |
| Tax paid                                                                                        |       | (1,185)                   | (1,564) | (388)                          | (600)   |
| <b>Net cash generated from operating activities</b>                                             |       | 12,549                    | 11,779  | 3,404                          | 4,912   |
| <b>Cash flows from investing activities</b>                                                     |       |                           |         |                                |         |
| Purchase of:                                                                                    |       |                           |         |                                |         |
| Property, plant and equipment                                                                   |       | (4,620)                   | (3,020) | (207)                          | (1,285) |
| Intangible assets                                                                               | 17    | (17)                      | (4)     | —                              | —       |
| Decrease/(increase) in amounts due from fellow<br>subsidiaries                                  |       | 6,616                     | (4,406) | (1,544)                        | (1,222) |
| Decrease in loan to the ultimate holding company                                                |       | 1,795                     | —       | —                              | —       |
| (Increase)/decrease in amount due from<br>a joint venture                                       |       | (110)                     | 48      | 68                             | (22)    |
| Increase in amount due from the ultimate holding<br>company                                     |       | (210)                     | (914)   | (630)                          | (93)    |
| Dividend received from a joint venture                                                          | 18    | 703                       | 319     | 319                            | 440     |
| Interest received                                                                               |       | 65                        | 62      | 17                             | 23      |
| Proceeds from disposal of property, plant and<br>equipment                                      |       | 135                       | 147     | —                              | 62      |
| Deposits placed with financial institutions with<br>original maturity of more than three months |       | (3)                       | (99)    | —                              | 98      |
| <b>Net cash generated from/(used in) investing<br/>    activities</b>                           |       | 4,354                     | (7,867) | (1,977)                        | (1,999) |



|                                                               |       | Year ended<br>31 December |                      | Three months ended<br>31 March |                      |
|---------------------------------------------------------------|-------|---------------------------|----------------------|--------------------------------|----------------------|
|                                                               |       | 2015                      | 2016                 | 2016                           | 2017                 |
|                                                               | Notes | RM'000                    | RM'000               | RM'000                         | RM'000               |
|                                                               |       |                           |                      | (Unaudited)                    |                      |
| <b>Net cash generated from/(used in) investing activities</b> |       | <u>4,354</u>              | <u>(7,867)</u>       | <u>(1,977)</u>                 | <u>(1,999)</u>       |
| <b>Cash flows from financing activities</b>                   |       |                           |                      |                                |                      |
| Increase/(decrease) in amount due to a joint venture          |       | 2                         | (5)                  | —                              | —                    |
| (Decrease)/increase in amounts due to fellow subsidiaries     |       | (4,474)                   | 41                   | (29)                           | 6                    |
| Decrease in amount due to the ultimate holding company        |       | (5,017)                   | (1,642)              | (1,311)                        | (52)                 |
| Dividends paid                                                | 28    | (1,488)                   | (3,190)              | (1,389)                        | (4,447)              |
| Interest paid                                                 |       | (1,079)                   | (1,022)              | (307)                          | (284)                |
| Drawdown of bank borrowings                                   |       | —                         | 941                  | 178                            | 294                  |
| Repayment of bank borrowings                                  |       | (455)                     | (761)                | (96)                           | (210)                |
| Repayment of obligations under finance leases                 |       | <u>(118)</u>              | <u>(153)</u>         | <u>(25)</u>                    | <u>(63)</u>          |
| <b>Net cash used in financing activities</b>                  |       | <u>(12,629)</u>           | <u>(5,791)</u>       | <u>(2,979)</u>                 | <u>(4,756)</u>       |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   |       | 4,274                     | (1,879)              | (1,552)                        | (1,843)              |
| <b>Effects of exchange rate changes</b>                       |       | 1,625                     | 157                  | (711)                          | (225)                |
| <b>Cash and cash equivalents at beginning of year/period</b>  |       | <u>10,587</u>             | <u>16,486</u>        | <u>16,486</u>                  | <u>14,764</u>        |
| <b>Cash and cash equivalents at end of year/period</b>        |       | <u><u>16,486</u></u>      | <u><u>14,764</u></u> | <u><u>14,223</u></u>           | <u><u>12,696</u></u> |
| <b>Analysis of the balances of cash and cash equivalents</b>  |       |                           |                      |                                |                      |
| Cash and bank balances ( <i>Note</i> )                        |       | 17,134                    | 15,424               | 15,072                         | 12,905               |
| Bank overdraft                                                | 24    | <u>(648)</u>              | <u>(660)</u>         | <u>(849)</u>                   | <u>(209)</u>         |
|                                                               |       | <u><u>16,486</u></u>      | <u><u>14,764</u></u> | <u><u>14,223</u></u>           | <u><u>12,696</u></u> |

*Note:* Cash and bank balances of RM10,294,000, RM10,384,000, RM9,452,000 and RM7,278,000 are held in Vietnam as at 31 December 2015, 31 December 2016, 31 March 2016 and 31 March 2017 respectively. VND is not generally freely convertible into other currencies. Under certain conditions, such as fulfilment of Vietnam's financial obligations, the Vietnamese government allows foreign invested enterprises to convert VND into other currencies for repatriation of profits from their Vietnam operations abroad.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

## 1. GENERAL INFORMATION AND REORGANISATION

## (a) General information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 3 March 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office and its headquarters are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Lot 1883, Jalan KPB9, Kg. Bharu Balakong, 43300 Seri Kembangan, Selangor, Malaysia respectively.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sale of elastic textile and webbings (the **"Listing Business"**). The ultimate holding company of the Company is PRG Holdings Berhad (**"PRG Holdings"**) which is a public limited liability company incorporated in Malaysia and the shares of which are listed on the Main Market of Bursa Malaysia.

Prior to the incorporation of the Company and the Reorganisation, the Listing Business was carried out by all the subsidiaries of the Company listed out in (b) below other than FIPB and TSMSB (MY) (the **"Operating Subsidiaries"**).

## (b) Reorganisation

Pursuant to a group reorganisation as set out in "History, Reorganisation and Corporate Structure — Our Reorganisation" in the Prospectus (the **"Reorganisation"**), the Company became the holding company of the companies now comprising the Group on 21 September 2017. The Company has not carried on any business since the date of incorporation save for the Reorganisation.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct and indirect interest in the following subsidiaries, associate and joint venture, all of which are private companies with limited liabilities except for Furniweb (Vietnam) Shareholding Company which is a joint-stock company:

| Name                                                  | Place and date of incorporation                                | Issued and paid-up capital                         | Effective interest held by the Company |                        |                     |                            | Principal activities                                                                 |
|-------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------|----------------------------------------|------------------------|---------------------|----------------------------|--------------------------------------------------------------------------------------|
|                                                       |                                                                |                                                    | As at 31 December 2015                 | As at 31 December 2016 | As at 31 March 2017 | At the date of this report |                                                                                      |
| <b>Directly held subsidiary</b>                       |                                                                |                                                    |                                        |                        |                     |                            |                                                                                      |
| FIPB International Limited (“FIPB”)                   | British Virgin Islands<br>28 December 2016                     | USD101                                             | —                                      | 100%                   | 100%                | 100%                       | Investment holding                                                                   |
| <b>Indirectly held subsidiary</b>                     |                                                                |                                                    |                                        |                        |                     |                            |                                                                                      |
| Furnitech Components (Vietnam) Co., Ltd. (“FCV (VN)”) | The Socialist Republic of Vietnam (“Vietnam”)<br>4 August 2004 | USD3,910,000<br>(Note 1)                           | 82.01%                                 | 82.01%                 | 82.01%              | 45.06%<br>(Note 1)         | Manufacture and sale of metal components for furniture                               |
| Furniweb Manufacturing Sdn. Bhd. (“FMSB (MY)”)        | Malaysia<br>3 October 1987                                     | Malaysian Ringgit (“RM”)5,827,500                  | 100%                                   | 100%                   | 100%                | 100%                       | Manufacture and sale of upholstery webbings, covered elastic yarn and rigid webbings |
| Furniweb Safety Webbing Sdn. Bhd. (“FSWSB (MY)”)      | Malaysia<br>19 June 1996                                       | RM2,501,000                                        | 100%                                   | 100%                   | 100%                | 100%                       | Manufacture and sale of safety webbings                                              |
| Furniweb (Vietnam) Shareholding Company (“FVSC (VN)”) | Vietnam<br>16 January 1997                                     | Vietnamese Dong (“VND”)147,000,000,000<br>(Note 2) | 99.99975%                              | 99.99975%              | 100%                | 100%                       | Manufacture and sale of upholstery webbings and covered elastic yarn                 |

| Name                                                                                               | Place and date of incorporation | Issued and paid-up capital | Effective interest held by the Company |                        |                     |                            | Principal activities                                  |
|----------------------------------------------------------------------------------------------------|---------------------------------|----------------------------|----------------------------------------|------------------------|---------------------|----------------------------|-------------------------------------------------------|
|                                                                                                    |                                 |                            | As at 31 December 2015                 | As at 31 December 2016 | As at 31 March 2017 | At the date of this report |                                                       |
| Premier Elastic Webbing & Accessories (Vietnam) Co. Ltd.<br>("PEWAV (VN)")                         | Vietnam<br>23 January 2002      | USD2,100,000               | 100%                                   | 100%                   | 100%                | 100%                       | Manufacture and sale of narrow elastic fabrics        |
| Syarikat Sri Kepong Sdn. Bhd.<br>("SSKSB (MY)")                                                    | Malaysia<br>5 December 1974     | RM50,000                   | 100%                                   | 100%                   | 100%                | 100%                       | Property holding company                              |
| Texstrip Manufacturing Sdn. Bhd.<br>("TMSB (MY)")                                                  | Malaysia<br>13 June 1988        | RM2,700,000                | 100%                                   | 100%                   | 100%                | 100%                       | Manufacture and marketing of rubber strips and sheets |
| TS Meditape Sdn. Bhd. (formerly known as First Elastic Corporation (M) Sdn. Bhd.)<br>("TMSB (MY)") | Malaysia<br>29 December 1994    | RM2,490,000                | 100%                                   | 100%                   | 100%                | 100%                       | Dormant                                               |
| Webtex Trading Sdn. Bhd.<br>("WTSB (MY)")                                                          | Malaysia<br>23 November 1984    | RM32,250,000               | 100%                                   | 100%                   | 100%                | 100%                       | Trading of machinery and accessories                  |
| <b>Joint venture</b>                                                                               |                                 |                            |                                        |                        |                     |                            |                                                       |
| Trunet (Vietnam) Co., Ltd.                                                                         | Vietnam<br>15 February 2001     | USD300,000                 | 50%                                    | 50%                    | 50%                 | 50%                        | Manufacture and marketing of meat netting             |

*Notes:*

- On 14 September 2017, the Company's effective interest in FCV (VN) was reduced to 45.06% and FCV (VN) became an associate of the Company since then. On the same date, the paid-up capital of FCV (VN) was increased from USD2,600,000 to USD3,910,000.
- The paid-up capital of FVSC (VN) was increased from VND40,148,100,668 to VND80,000,000,000 on 31 October 2016 and was further increased from VND80,000,000,000 to VND147,000,000,000 on 27 April 2017.

All companies now comprising the Group have adopted 31 December as their financial year end date.

No audited financial statements have been prepared for the Company and FIPB since their respective dates of incorporation as there are no statutory audit requirements under relevant rules and regulations in its respective jurisdiction of incorporation and they have not been involved in any business transaction other than the Reorganisation.

The statutory financial statements of FMSB (MY), FSWSB (MY), SSKSB (MY), TMSB (MY), TSMSB (MY) and WTSB (MY) for each of the two years ended 31 December 2016, were audited by BDO Chartered Accountants and were prepared in accordance with Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board and IFRSs issued by the IASB.

The statutory financial statements of FCV (VN), FVSC (VN) and PEWAV (VN) for each of the two years ended 31 December 2016, were audited by BDO Audit Services Company Limited and were prepared in accordance with Vietnamese Accounting Standards and Vietnamese Accounting System issued by the Department of Accounting and Auditing Regulations of the Ministry of Finance of Vietnam

## 2. BASIS OF PREPARATION AND PRESENTATION

### 2.1 Basis of preparation

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied all IFRSs, International Accounting Standards (“IASs”), amendments and interpretations (hereinafter collectively referred to as the “IFRS”) issued by the IASB which are effective for the annual periods beginning on 1 January 2017. The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4 to the Historical Financial Information which conform with all applicable IFRS issued by IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM.

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

### 2.2 Basis of presentation

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 21 September 2017. The Reorganisation only involved the insertion of the Company and FIPB as new intermediate holding companies above the Operating Subsidiaries and TSMSB (MY). The Company and FIPB have not been involved in any other business prior to the Reorganisation and their operations do not meet the definition of business. The Reorganisation is merely a reorganisation of the Listing Business and does not result in any changes in business substance. Accordingly, the Historical Financial Information of the companies now comprising the Group is presented using the carrying value of the Listing Business for all periods presented.

No amount is recognised as consideration for goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of combination.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows are prepared as if the current group structure had been in existence throughout the Track Record Period except for the reduction of the Company's interest in FCV (VN) referred to on page I-16. The combined statements of financial position as at 31 December 2015 and 2016 and 31 March 2017 present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates except for the reduction of the Company's interest in FCV (VN) referred to on page I-16.

All significant intergroup transactions and balances have been eliminated on combination.

## 3. ADOPTION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

At the date of this report, the IASB has issued the following new or revised IFRS, but are not yet effective and have not been early adopted by the Group.

|                                  |                                                                                                    |
|----------------------------------|----------------------------------------------------------------------------------------------------|
| IFRS 9 (2014)                    | Financial Instruments <sup>1</sup>                                                                 |
| IFRS 15                          | Revenue from Contracts with Customers <sup>1</sup>                                                 |
| IFRS 16                          | Leases <sup>2</sup>                                                                                |
| IFRS 17                          | Insurance Contracts <sup>4</sup>                                                                   |
| Amendments to IFRSs              | Annual Improvements to IFRSs 2014–2016 Cycle <sup>1</sup>                                          |
| Amendments to IFRS 2             | Classification and Measurement of Share-based Payment Transactions <sup>1</sup>                    |
| Amendments to IFRS 4             | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts <sup>1</sup>                 |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup> |
| Amendments to IFRS 15            | Clarifications to IFRS 15 Revenue from Contracts with Customers <sup>1</sup>                       |
| Amendments to IAS 40             | Transfers of Investment Property <sup>2</sup>                                                      |
| IFRIC 22                         | Foreign Currency Transactions and Advance Consideration <sup>1</sup>                               |
| IFRIC 23                         | Uncertainty over Income Tax Treatments <sup>2</sup>                                                |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> No mandatory effective date yet determined but is available for early adoption

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

Further information about the above IFRSs which are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous version of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group performed high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on current available information and may be subject to changes arising from future detailed analysis or additional reasonable and supportable information being made available to the Group in the future. The Group's expected impacts arising from the adoption of IFRS 9 are summarised as follows:

**(a) Classification and measurement**

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets.

**(b) Impairment**

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

The adoption of IFRS 9 might have an impact on the Group's financial performance and financial position, including the measurement of financial assets and disclosures. In particular, the adoption of an expected credit losses impairment model might result in earlier recognition of credit losses of the Group's trade receivables.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRS. In September 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. In April 2016, the IASB issued further amendments to IFRS 15 to address certain implementation issues, relating to identification of a performance obligation, application guidance on principal versus agent and licenses of intellectual property; and to add two practical expedients to the transition requirement. The Group expects to adopt IFRS 15 on 1 January 2018.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Group does not expect that the adoption of IFRS 15 will have an impact on the pattern of revenue and profit recognition as there is only one performance obligation identified in the contracts with customers and the performance obligation is satisfied at point of time. The impact to the Group is expected to include more comprehensive disclosure as required by the new standard.

In January 2016, the IASB issued IFRS 16, which provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. The new standard maintains substantially the lessor accounting requirements in the current standard.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 Property, Plant and Equipment, while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. For lessor, there is little change to the existing accounting in IAS 17 Leases. The Group expects to adopt IFRS 16 on 1 January 2019.

As set out in note 29 to the Historical Financial Information, total operating lease commitments of the Group in respect of the three parcels of land in Vietnam on which the factory buildings are situated and the rental of a factory as at 31 March 2017 amounted to RM13,131,000. The Group does not expect the adoption of IFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the combined statement of financial position as right-of-use assets and lease liabilities.

Amendments to IFRS 10 and IAS 28 clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group expects to adopt the amendments on its mandatory effective date of adoption once determined by IASB and does not expect its adoption will have significant impact on the Group's financial position and performance.

IFRIC 22 addresses foreign currency transactions or parts of transactions where:

- (i) there is consideration that is denominated or priced in a foreign currency;
- (ii) the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- (iii) the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- (i) the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability;
- (ii) if there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

The Group expects to adopt the amendments on 1 January 2018 and does not expect its adoption will have significant impact on the Group's financial position and performance.

IFRIC 23 provides requirements that add to the requirements in IAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes as it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. The Group does not expect the adoption of IFRIC 23 will result in a significant impact on the Group's results and financial position.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 4.1 Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

## 4.2 Business combination

The Group applies the acquisition method to account for business combinations. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRS. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

## 4.3 Property, plant and equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the subsequent costs would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day to day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods and rates are as follows:

|                                          |             |
|------------------------------------------|-------------|
| Long-term leasehold land                 | 60–99 years |
| Buildings                                | 2%–12.5%    |
| Plant and machinery                      | 10%–20%     |
| Furniture, fittings and office equipment | 10%–20%     |
| Motor vehicles                           | 10%–20%     |

Freehold land has unlimited useful life and is not depreciated. Construction in progress representing machinery under installation and renovation in progress are stated at cost. Construction in progress is not depreciated until such time when the asset is available for use.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.7 to the Historical Financial Information on impairment of non financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

#### **4.4 Leases and hire purchase**

##### *(i) Finance leases and hire purchase*

Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the Group's incremental borrowing rate is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

##### *(ii) Operating leases*

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight line basis over the lease term.

##### *(iii) Leases of land and buildings*

For leases of land and buildings, the land and buildings elements are considered separately for the purpose of lease classification and these leases are classified as operating or finance leases in the same way as leases of other assets.

The minimum lease payments including any lump sum upfront payments made to acquire the interest in the land and buildings are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and the buildings element of the lease at the inception of the lease.

For a lease of land and building in which the amount that would initially be recognised for the land element is immaterial, the land and building are treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the building is regarded as the economic life of the entire leased asset.

#### **4.5 Investments**

##### *Joint arrangements*

A joint arrangement is an arrangement of which two or more parties have joint control. The parties are bound by a contractual arrangement which gives two or more parties joint control of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.



*Joint venture*

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. These parties are known as joint venturers.

Any premium paid for an investment in a joint venture above the fair value of the share of the identifiable assets, liabilities and contingent liabilities acquired of the Group is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset, by comparing its recoverable amount with its carrying amount.

The Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.

The Group determines the type of joint arrangement in which it is involved, based on the rights and obligations of the parties to the arrangement. In assessing the classification of interests in joint arrangements, the Group considers:

- (i) The structure of the joint arrangement;
- (ii) The legal form of joint arrangements structured through a separate vehicle;
- (iii) The contractual terms of the joint arrangement agreement; and
- (iv) Any other facts and circumstances.

When there are changes in the facts and circumstances, the Group reassesses whether the type of joint arrangement in which it is involved has changed.

**4.6 Intangible assets***(i) Goodwill*

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest (if any) in the entity over the fair value of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount could be impaired. Objective events that would trigger a more frequent impairment review include adverse industry or economic trends, significant restructuring actions, significantly lowered projections of profitability, or a sustained decline in the acquiree's market capitalisation. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

*(ii) Computer software*

Costs that are associated with identifiable and unique software products controlled by the Group and have probable economic benefit exceeding the cost beyond one year are recognised as intangible assets. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software costs are stated at cost less accumulated amortisation cost and accumulated impairment losses, if any. These costs are amortised using the straight line method over their estimated useful lives of 2 to 5 years.

(iii) *Licenses*

Acquired licenses have finite useful lives and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight line method to allocate the cost of the licenses over their estimated useful lives of 10 years.

#### 4.7 Impairment of non financial assets

The carrying amount of assets, except for financial assets (excluding investment in a joint venture), deferred tax assets and inventories, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill that has an indefinite useful life is tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's CGU or groups of CGU that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment determined in accordance with IFRS 8 Operating Segments.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal 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 for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the goodwill, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

#### 4.8 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average cost formula. The cost of consumables and raw materials comprises all costs of purchase plus the cost of bringing the inventories to their existing location and condition. The cost of work in progress and finished goods includes the cost of raw materials, direct labour, other direct costs and a proportion of production overheads based on normal operating capacity of the production facilities.

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.

#### **4.9 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

##### **(i) Financial assets**

###### *Loans and receivables*

Financial assets classified as loans and receivables comprise non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group in the management of their short term commitments. For the purpose of the combined statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

##### **(ii) Financial liabilities**

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement.

Financial liabilities classified as other financial liabilities comprise non derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non cash assets transferred or liabilities assumed, is recognised in profit or loss.

**(iii) Equity**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

**4.10 Impairment of financial assets**

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

*Loans and receivables*

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable or investee, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables is reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

**4.11 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**4.12 Income taxes**

Income taxes include all domestic and foreign taxes on taxable profit.

Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(i) *Current tax*

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profit.

(ii) *Deferred tax*

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profit would be available, such reductions would be reversed to the extent of the taxable profit.

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 the deferred income taxes relate to the same taxation authority on either:

- (a) the same taxable entity; or
- (b) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

**4.13 Provisions**

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

#### 4.14 Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

#### 4.15 Employee benefits

##### (i) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

##### (ii) Defined contribution plans

The Company's subsidiaries incorporated in Malaysia and Vietnam make contributions to their respective countries' statutory pension schemes which are defined contribution plans. The contributions are recognised as a liability after deducting any contributions already paid and as an expense in the period in which the employees render their services.

#### 4.16 Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On combination, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Malaysian Ringgit) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All

assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange translation reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

#### 4.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and rebates. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows:

(i) *Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customers and where the Group retains no continuing managerial involvement over the goods, which coincides with the delivery of goods and services and acceptance by customers.

(ii) *Interest income*

Interest income is recognised as it accrues, using the effective interest method.

#### 4.18 Operating segments

Operating segments are defined as components of the Group that:

- (i) engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (ii) whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and
- (iii) for which discrete financial information is available.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

- (i) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten per cent or more of the combined revenue, internal and external, of all operating segments.
- (ii) The absolute amount of its reported profit or loss is ten per cent or more of the greater, in absolute amount of:
  - (a) the combined reported profit of all operating segments that did not report a loss; and
  - (b) the combined reported loss of all operating segments that reported a loss.
- (iii) Its assets are ten per cent or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the Historical Financial Information.

Total external revenue reported by operating segments shall constitute at least seventy five percent of the revenue of the Group.

**4.19 Related parties**

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
  - (i) The entity and the Group 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 the employees of the Group or an entity related to the Group.
  - (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 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 Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

**5. ACCOUNTING ESTIMATES AND JUDGEMENTS**

**(a) Changes in estimates**

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates during the Track Record Period and at the end of each of the reporting period during the Track Record Period.



**(b) Key sources of estimation uncertainty**

The following are 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 year.

*(i) Impairment of goodwill on consolidation*

The Group determines whether goodwill on consolidation is impaired at least on an annual basis. This requires an estimation of the value in use of the subsidiary to which goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the subsidiary and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiary, which involves uncertainties and is significantly affected by assumptions used and judgment made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's assessment for impairment of goodwill. The assumptions used are disclosed in Note 17 to the Historical Financial Information.

*(ii) Depreciation of property, plant and equipment*

The Group estimates the useful lives of property, plant and equipment at the time the assets are acquired based on historical experience, the expected usage, wear and tear of the assets and technical obsolescence arising from changes in the market demands or service output of the assets. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to changes in the factors mentioned above. Changes in these factors could impact the useful lives and the residual values of these assets; therefore future depreciation charges could be revised.

*(iii) Deferred tax assets*

Deferred tax assets are recognised for all unused tax losses and unabsorbed depreciation allowances to the extent that it is probable that future taxable profits would be available against which the losses and other deductible temporary differences could be utilised. Significant management judgement is required to determine the amount of deferred tax assets that could be recognised, based on the likely timing and extent of future taxable profits together with future tax planning strategies.

*(iv) Impairment of receivables*

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyse historical bad debts, receivable concentration, receivable creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

*(v) Write down for obsolete or slow moving inventories*

The Group writes down its obsolete or slow moving inventories based on an assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses sales trend and current economic trends when making this judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences would impact the carrying amount of inventories.

*(vi) Income taxes*

The Group is subject to income taxes of different jurisdictions. Significant judgement is required on the interpretation of tax laws and legislations during the estimation of the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of

business. The Group recognised liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome is different from the amounts that were initially recorded, such differences would impact the current and deferred income tax provisions, where applicable, in the period in which such determination is made.

## 6. OPERATING SEGMENTS

The Company's subsidiaries are principally engaged in the manufacturing and sale of elastic textile and webbings.

During the Trade Record Period, the Group determines its operating segments based on the reports reviewed by the Managing Director of Manufacturing Operation of PRG Holdings who is the chief operating decision-maker ("CODM").

The Group has arrived at three reportable segments summarised as follows:

- (i) Elastic textile
- (ii) Webbing
- (iii) Other products

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

The CODM assesses performance of the operating segments on the basis of gross profit.

Inter segment revenue is priced along the same lines as sales to external customers and is eliminated in the combined financial statements. These policies have been applied consistently throughout the Trade Record Period.

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

| Year ended 31 December 2015                    | Elastic<br>textile<br>RM'000 | Webbing<br>RM'000 | Other<br>products<br>RM'000 | Elimination<br>RM'000<br>(Note) | Total<br>RM'000 |
|------------------------------------------------|------------------------------|-------------------|-----------------------------|---------------------------------|-----------------|
| <b>Revenue</b>                                 |                              |                   |                             |                                 |                 |
| Revenue from external customers                | 46,230                       | 29,335            | 13,469                      | —                               | 89,034          |
| Inter-segment revenue                          | <u>537</u>                   | <u>119</u>        | <u>82</u>                   | <u>(738)</u>                    | <u>—</u>        |
| <b>Total revenue</b>                           | <u>46,767</u>                | <u>29,454</u>     | <u>13,551</u>               | <u>(738)</u>                    | <u>89,034</u>   |
| Segment cost of sales                          | <u>(33,650)</u>              | <u>(23,705)</u>   | <u>(12,113)</u>             | <u>1,355</u>                    | <u>(68,113)</u> |
| Gross profit                                   | <u>13,117</u>                | <u>5,749</u>      | <u>1,438</u>                | <u>617</u>                      | <u>20,921</u>   |
| Other income, net                              |                              |                   |                             |                                 | 1,597           |
| Distribution costs                             |                              |                   |                             |                                 | (2,334)         |
| Administrative expenses                        |                              |                   |                             |                                 | (12,941)        |
| Interest income                                |                              |                   |                             |                                 | 487             |
| Finance costs                                  |                              |                   |                             |                                 | (1,079)         |
| Share of profit of a joint venture, net of tax |                              |                   |                             |                                 | <u>235</u>      |
| Profit before income tax expense               |                              |                   |                             |                                 | 6,886           |
| Income tax expense                             |                              |                   |                             |                                 | <u>(1,510)</u>  |
| Profit for the year                            |                              |                   |                             |                                 | <u>5,376</u>    |

Other segment item included in the combined statements of profit or loss and other comprehensive income for the year ended 31 December 2015 is as follows:

|                                        | <b>Elastic<br/>textile</b><br><i>RM'000</i> | <b>Webbing</b><br><i>RM'000</i> | <b>Other<br/>products</b><br><i>RM'000</i> | <b>Elimination</b><br><i>RM'000</i><br>(Note) | <b>Total</b><br><i>RM'000</i> |
|----------------------------------------|---------------------------------------------|---------------------------------|--------------------------------------------|-----------------------------------------------|-------------------------------|
| Depreciation included in cost of sales | <u>2,192</u>                                | <u>690</u>                      | <u>515</u>                                 | <u>—</u>                                      | <u>3,397</u>                  |

*Note:* Included in segment cost of sales was intra-group rental expenses of RM617,000 and the corresponding rental income was eliminated in “other income, net” in the combined statements of profit or loss and other comprehensive income.

| <b>Year ended 31 December 2016</b>             | <b>Elastic<br/>textile</b><br><i>RM'000</i> | <b>Webbing</b><br><i>RM'000</i> | <b>Other<br/>products</b><br><i>RM'000</i> | <b>Elimination</b><br><i>RM'000</i><br>(Note) | <b>Total</b><br><i>RM'000</i> |
|------------------------------------------------|---------------------------------------------|---------------------------------|--------------------------------------------|-----------------------------------------------|-------------------------------|
| <b>Revenue</b>                                 |                                             |                                 |                                            |                                               |                               |
| Revenue from external customers                | 53,290                                      | 32,028                          | 12,619                                     | —                                             | 97,937                        |
| Inter-segment revenue                          | <u>457</u>                                  | <u>133</u>                      | <u>238</u>                                 | <u>(828)</u>                                  | <u>—</u>                      |
| <b>Total revenue</b>                           | <u>53,747</u>                               | <u>32,161</u>                   | <u>12,857</u>                              | <u>(828)</u>                                  | <u>97,937</u>                 |
| Segment cost of sales                          | <u>(38,170)</u>                             | <u>(23,183)</u>                 | <u>(11,173)</u>                            | <u>1,452</u>                                  | <u>(71,074)</u>               |
| Gross profit                                   | <u>15,577</u>                               | <u>8,978</u>                    | <u>1,684</u>                               | <u>624</u>                                    | <u>26,863</u>                 |
| Other income, net                              |                                             |                                 |                                            |                                               | 861                           |
| Distribution costs                             |                                             |                                 |                                            |                                               | (2,609)                       |
| Listing expenses                               |                                             |                                 |                                            |                                               | (2,404)                       |
| Administrative expenses                        |                                             |                                 |                                            |                                               | (14,262)                      |
| Interest income                                |                                             |                                 |                                            |                                               | 485                           |
| Finance costs                                  |                                             |                                 |                                            |                                               | (1,155)                       |
| Share of profit of a joint venture, net of tax |                                             |                                 |                                            |                                               | <u>215</u>                    |
| Profit before income tax expense               |                                             |                                 |                                            |                                               | 7,994                         |
| Income tax expense                             |                                             |                                 |                                            |                                               | <u>(1,326)</u>                |
| Profit for the year                            |                                             |                                 |                                            |                                               | <u>6,668</u>                  |

Other segment item included in the combined statements of profit or loss and other comprehensive income for the year ended 31 December 2016 is as follows:

|                                        |              |            |            |          |              |
|----------------------------------------|--------------|------------|------------|----------|--------------|
| Depreciation included in cost of sales | <u>1,937</u> | <u>657</u> | <u>471</u> | <u>—</u> | <u>3,065</u> |
|----------------------------------------|--------------|------------|------------|----------|--------------|

*Note:* Included in segment cost of sales was intra-group rental expenses of RM624,000 and the corresponding rental income was eliminated in “other income, net” in the combined statements of profit or loss and other comprehensive income.

| Three months ended 31 March 2016<br>(unaudited) | Elastic<br>textile<br><i>RM'000</i> | Webbing<br><i>RM'000</i> | Other<br>products<br><i>RM'000</i> | Elimination<br><i>RM'000</i> | Total<br><i>RM'000</i> |
|-------------------------------------------------|-------------------------------------|--------------------------|------------------------------------|------------------------------|------------------------|
| <b>Revenue</b>                                  |                                     |                          |                                    |                              |                        |
| Revenue from external customers                 | 11,845                              | 7,462                    | 2,976                              | —                            | 22,283                 |
| Inter-segment revenue                           | <u>43</u>                           | <u>—</u>                 | <u>67</u>                          | <u>(110)</u>                 | <u>—</u>               |
| <b>Total revenue</b>                            | <u>11,888</u>                       | <u>7,462</u>             | <u>3,043</u>                       | <u>(110)</u>                 | <u>22,283</u>          |
| Segment cost of sales                           | <u>(9,204)</u>                      | <u>(5,804)</u>           | <u>(2,664)</u>                     | <u>334</u>                   | <u>(17,338)</u>        |
| Gross profit                                    | <u>2,684</u>                        | <u>1,658</u>             | <u>379</u>                         | <u>224</u>                   | <u>4,945</u>           |
| Other expenses, net                             |                                     |                          |                                    |                              | (256)                  |
| Distribution costs                              |                                     |                          |                                    |                              | (586)                  |
| Administrative expenses                         |                                     |                          |                                    |                              | (3,327)                |
| Interest income                                 |                                     |                          |                                    |                              | 123                    |
| Finance costs                                   |                                     |                          |                                    |                              | (307)                  |
| Share of loss of a joint venture, net of tax    |                                     |                          |                                    |                              | <u>(3)</u>             |
| Profit before income tax expense                |                                     |                          |                                    |                              | 589                    |
| Income tax expense                              |                                     |                          |                                    |                              | <u>(63)</u>            |
| Profit for the period                           |                                     |                          |                                    |                              | <u>526</u>             |

Other segment item included in the combined statements of profit or loss and other comprehensive income for the three months ended 31 March 2016 is as follows:

|                                        |            |            |            |          |            |
|----------------------------------------|------------|------------|------------|----------|------------|
| Depreciation included in cost of sales | <u>522</u> | <u>193</u> | <u>122</u> | <u>—</u> | <u>837</u> |
|----------------------------------------|------------|------------|------------|----------|------------|

*Note:* Included in segment cost of sales was intra-group rental expenses of RM224,000 and the corresponding rental income was eliminated in “other income, net” in the combined statements of profit or loss and other comprehensive income.

| Three months ended 31 March 2017               | Elastic<br>textile<br>RM'000 | Webbing<br>RM'000 | Other<br>products<br>RM'000 | Elimination<br>RM'000 | Total<br>RM'000 |
|------------------------------------------------|------------------------------|-------------------|-----------------------------|-----------------------|-----------------|
| <b>Revenue</b>                                 |                              |                   |                             |                       |                 |
| Revenue from external customers                | 14,035                       | 10,384            | 3,516                       | —                     | 27,935          |
| Inter-segment revenue                          | <u>57</u>                    | <u>—</u>          | <u>2</u>                    | <u>(59)</u>           | <u>—</u>        |
| <b>Total revenue</b>                           | <u>14,092</u>                | <u>10,384</u>     | <u>3,518</u>                | <u>(59)</u>           | <u>27,935</u>   |
| Segment cost of sales                          | <u>(9,551)</u>               | <u>(7,544)</u>    | <u>(2,848)</u>              | <u>313</u>            | <u>(19,630)</u> |
| Gross profit                                   | <u>4,541</u>                 | <u>2,840</u>      | <u>670</u>                  | <u>254</u>            | <u>8,305</u>    |
| Other income, net                              |                              |                   |                             |                       | 90              |
| Distribution costs                             |                              |                   |                             |                       | (665)           |
| Listing expenses                               |                              |                   |                             |                       | (2,054)         |
| Administrative expenses                        |                              |                   |                             |                       | (3,676)         |
| Interest income                                |                              |                   |                             |                       | 128             |
| Finance costs                                  |                              |                   |                             |                       | (284)           |
| Share of profit of a joint venture, net of tax |                              |                   |                             |                       | <u>54</u>       |
| Profit before income tax expense               |                              |                   |                             |                       | 1,898           |
| Income tax expense                             |                              |                   |                             |                       | <u>(780)</u>    |
| Profit for the period                          |                              |                   |                             |                       | <u>1,118</u>    |

Other segment item included in the combined statements of profit or loss and other comprehensive income for the three months ended 31 March 2017 is as follows:

|                                        |            |           |            |          |            |
|----------------------------------------|------------|-----------|------------|----------|------------|
| Depreciation included in cost of sales | <u>512</u> | <u>92</u> | <u>113</u> | <u>—</u> | <u>717</u> |
|----------------------------------------|------------|-----------|------------|----------|------------|

*Note:* Included in segment cost of sales was intra-group rental expenses of RM254,000 and the corresponding rental income was eliminated in “other income, net” in the combined statements of profit or loss and other comprehensive income.

#### Geographical information

The Company is domiciled in the Cayman Islands while the Group's manufacturing facilities and sales offices are based in Malaysia and Vietnam.

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location of customers from which the sales transactions originated.

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

|                                               | Year ended 31 December |               | Three months ended<br>31 March |               |
|-----------------------------------------------|------------------------|---------------|--------------------------------|---------------|
|                                               | 2015                   | 2016          | 2016                           | 2017          |
|                                               | RM'000                 | RM'000        | RM'000                         | RM'000        |
|                                               |                        |               | (Unaudited)                    |               |
| <b>Revenue from external customers</b>        |                        |               |                                |               |
| Malaysia                                      | 11,693                 | 9,751         | 2,640                          | 1,965         |
| Vietnam                                       | 27,568                 | 35,413        | 7,630                          | 11,098        |
| Asia Pacific (excluding Malaysia and Vietnam) | 21,275                 | 27,077        | 4,943                          | 8,164         |
| Europe                                        | 11,918                 | 13,290        | 3,336                          | 3,301         |
| North America                                 | 14,804                 | 11,556        | 3,402                          | 3,124         |
| Others                                        | 1,776                  | 850           | 332                            | 283           |
|                                               | <u>89,034</u>          | <u>97,937</u> | <u>22,283</u>                  | <u>27,935</u> |

|                                     | As at 31 December |               | As at<br>31 March |               |
|-------------------------------------|-------------------|---------------|-------------------|---------------|
|                                     | 2015              | 2016          | 2016              | 2017          |
|                                     | RM'000            | RM'000        | RM'000            | RM'000        |
| <b>Specified non-current assets</b> |                   |               |                   |               |
| Malaysia                            |                   | 22,467        | 21,924            | 21,717        |
| Vietnam                             |                   | <u>18,206</u> | <u>19,256</u>     | <u>19,867</u> |
|                                     |                   | <u>40,673</u> | <u>41,180</u>     | <u>41,584</u> |

**Major customers**

During the years ended 31 December 2015 and 2016 and the three months ended 31 March 2016, the Group generated revenue from transactions with a single external customer from elastic textile segment of RM9,615,000, RM10,652,000 and RM2,302,000 respectively, which amount to 10% or above of the total revenue of the Group.

During the three months ended 31 March 2017, there is no customer which generated 10% or above of the total revenue of the Group.

**7. REVENUE**

Revenue represents the net invoiced value of goods sold.

## 8. OTHER INCOME/(EXPENSES), NET

|                                                          | Year ended 31 December |            | Three months ended<br>31 March |           |
|----------------------------------------------------------|------------------------|------------|--------------------------------|-----------|
|                                                          | 2015                   | 2016       | 2016                           | 2017      |
|                                                          | RM'000                 | RM'000     | RM'000                         | RM'000    |
|                                                          |                        |            | (Unaudited)                    |           |
| Gain/(loss) on foreign exchange, net                     |                        |            |                                |           |
| — realised                                               | 855                    | 49         | (173)                          | (39)      |
| — unrealised                                             | 208                    | 212        | (124)                          | (40)      |
| Commission income                                        | 82                     | 75         | 12                             | 26        |
| Sales of scrap                                           | 202                    | 205        | 22                             | 81        |
| (Loss)/gain on disposal of property, plant and equipment | (120)                  | 118        | —                              | 9         |
| Others                                                   | 370                    | 202        | 7                              | 53        |
|                                                          | <u>1,597</u>           | <u>861</u> | <u>(256)</u>                   | <u>90</u> |

## 9. PROFIT BEFORE INCOME TAX EXPENSE

|                                                                                  | Note | Year ended 31 December |               | Three months ended<br>31 March |              |
|----------------------------------------------------------------------------------|------|------------------------|---------------|--------------------------------|--------------|
|                                                                                  |      | 2015                   | 2016          | 2016                           | 2017         |
|                                                                                  |      | RM'000                 | RM'000        | RM'000                         | RM'000       |
|                                                                                  |      |                        |               | (Unaudited)                    |              |
| Profit before income tax expense is arrived at after charging/(crediting):       |      |                        |               |                                |              |
| Auditor's remuneration:                                                          |      | 146                    | 147           | 39                             | 39           |
| Amortisation of intangible assets                                                | 17   | 29                     | 23            | 6                              | 5            |
| Changes in inventories of finished goods, work in progress and other consumables |      | (124)                  | (1,582)       | 960                            | (375)        |
| Raw materials used                                                               |      | 37,812                 | 38,011        | 8,930                          | 10,424       |
| Depreciation of property, plant and equipment                                    | 16   | 3,996                  | 3,634         | 961                            | 862          |
| Listing expenses                                                                 |      | —                      | 2,404         | —                              | 2,054        |
| Interest income from:                                                            |      |                        |               |                                |              |
| — fixed deposits                                                                 |      | (32)                   | (30)          | (9)                            | (15)         |
| — bank balances                                                                  |      | (33)                   | (32)          | (8)                            | (8)          |
| — advance to a fellow subsidiary                                                 |      | (422)                  | (423)         | (106)                          | (105)        |
| Inventories written down                                                         | 22   | 861                    | 587           | 138                            | 357          |
| Reversal of inventories written down                                             |      | (2)                    | (63)          | —                              | —            |
| Net loss/(gain) on disposal of property, plant and equipment                     |      | 120                    | (118)         | —                              | (9)          |
| Property, plant and equipment written off                                        |      | —                      | 17            | —                              | —            |
| Rental expenses on:                                                              |      |                        |               |                                |              |
| — factory                                                                        |      | 176                    | 178           | 44                             | 47           |
| — hostel                                                                         |      | 143                    | 202           | 43                             | 39           |
| — land                                                                           |      | 354                    | 379           | 97                             | 101          |
| Impairment loss of trade receivables                                             | 19   | —                      | 15            | —                              | —            |
| Employee costs included in:                                                      | 10   |                        |               |                                |              |
| — cost of sales                                                                  |      | 14,440                 | 17,714        | 4,167                          | 5,229        |
| — distribution costs                                                             |      | 307                    | 321           | 73                             | 102          |
| — administrative expenses                                                        |      | <u>9,504</u>           | <u>10,848</u> | <u>2,518</u>                   | <u>2,735</u> |

## 10. EMPLOYEE COSTS

|                                                | Year ended 31 December |               | Three months ended<br>31 March |              |
|------------------------------------------------|------------------------|---------------|--------------------------------|--------------|
|                                                | 2015                   | 2016          | 2016                           | 2017         |
|                                                | RM'000                 | RM'000        | RM'000                         | RM'000       |
|                                                |                        |               | (Unaudited)                    |              |
| Employee costs (including directors) comprise: |                        |               |                                |              |
| Wages, salaries and bonuses                    | 19,825                 | 23,995        | 5,340                          | 6,366        |
| Contributions to defined contribution plans    | 2,587                  | 3,314         | 785                            | 894          |
| Other benefits                                 | 1,839                  | 1,574         | 633                            | 806          |
|                                                | <u>24,251</u>          | <u>28,883</u> | <u>6,758</u>                   | <u>8,066</u> |

There are no forfeited contributions for the above defined contribution plans as the contributions are fully vested to the employees upon payment to the plans.

## 11. DIRECTORS' EMOLUMENTS

The emoluments of each of the directors for the Track Record Period are set out as follows:

For the year ended 31 December 2015

|                               | Fees      | Salaries and<br>other benefits | Discretionary<br>bonus | Contributions<br>to defined<br>contribution<br>plans | Total        |
|-------------------------------|-----------|--------------------------------|------------------------|------------------------------------------------------|--------------|
|                               | RM'000    | RM'000                         | RM'000                 | RM'000                                               | RM'000       |
| <i>Non-executive director</i> |           |                                |                        |                                                      |              |
| Dato' Lim Heen Peek           | —         | —                              | —                      | —                                                    | —            |
| <i>Executive directors</i>    |           |                                |                        |                                                      |              |
| Mr. Cheah Eng Chuan           | 20        | 714                            | 224                    | 138                                                  | 1,096        |
| Mr. Tan Chuan Dyi             | —         | 660                            | 83                     | 111                                                  | 854          |
| Dato' Lua Choon Hann          | —         | —                              | —                      | —                                                    | —            |
|                               | <u>20</u> | <u>1,374</u>                   | <u>307</u>             | <u>249</u>                                           | <u>1,950</u> |

For the year ended 31 December 2016

|                               | Fees     | Salaries and<br>other benefits | Discretionary<br>bonus | Contributions<br>to defined<br>contribution<br>plans | Total        |
|-------------------------------|----------|--------------------------------|------------------------|------------------------------------------------------|--------------|
|                               | RM'000   | RM'000                         | RM'000                 | RM'000                                               | RM'000       |
| <i>Non-executive director</i> |          |                                |                        |                                                      |              |
| Dato' Lim Heen Peek           | —        | —                              | —                      | —                                                    | —            |
| <i>Executive directors</i>    |          |                                |                        |                                                      |              |
| Mr. Cheah Eng Chuan           | —        | 764                            | 238                    | 143                                                  | 1,145        |
| Mr. Tan Chuan Dyi             | —        | 675                            | 192                    | 128                                                  | 995          |
| Dato' Lua Choon Hann          | —        | —                              | —                      | —                                                    | —            |
|                               | <u>—</u> | <u>1,439</u>                   | <u>430</u>             | <u>271</u>                                           | <u>2,140</u> |



**For the three months ended 31 March 2016 (Unaudited)**

|                               | <b>Fees</b>   | <b>Salaries and<br/>other benefits</b> | <b>Discretionary<br/>bonus</b> | <b>Contributions<br/>to defined<br/>contribution<br/>plans</b> | <b>Total</b>  |
|-------------------------------|---------------|----------------------------------------|--------------------------------|----------------------------------------------------------------|---------------|
|                               | <i>RM'000</i> | <i>RM'000</i>                          | <i>RM'000</i>                  | <i>RM'000</i>                                                  | <i>RM'000</i> |
| <i>Non-executive director</i> |               |                                        |                                |                                                                |               |
| Dato' Lim Heen Peok           | —             | —                                      | —                              | —                                                              | —             |
| <i>Executive directors</i>    |               |                                        |                                |                                                                |               |
| Mr. Cheah Eng Chuan           | —             | 183                                    | 11                             | 28                                                             | 222           |
| Mr. Tan Chuan Dyi             | —             | 169                                    | 48                             | 32                                                             | 249           |
| Dato' Lua Choon Hann          | —             | —                                      | —                              | —                                                              | —             |
|                               | <u>—</u>      | <u>352</u>                             | <u>59</u>                      | <u>60</u>                                                      | <u>471</u>    |

**For the three months ended 31 March 2017**

|                               | <b>Fees</b>   | <b>Salaries and<br/>other benefits</b> | <b>Discretionary<br/>bonus</b> | <b>Contributions<br/>to defined<br/>contribution<br/>plans</b> | <b>Total</b>  |
|-------------------------------|---------------|----------------------------------------|--------------------------------|----------------------------------------------------------------|---------------|
|                               | <i>RM'000</i> | <i>RM'000</i>                          | <i>RM'000</i>                  | <i>RM'000</i>                                                  | <i>RM'000</i> |
| <i>Non-executive director</i> |               |                                        |                                |                                                                |               |
| Dato' Lim Heen Peok           | —             | —                                      | —                              | —                                                              | —             |
| <i>Executive directors</i>    |               |                                        |                                |                                                                |               |
| Mr. Cheah Eng Chuan           | —             | 184                                    | 37                             | 32                                                             | 253           |
| Mr. Tan Chuan Dyi             | —             | 169                                    | 41                             | 31                                                             | 241           |
| Dato' Lua Choon Hann          | —             | —                                      | —                              | —                                                              | —             |
|                               | <u>—</u>      | <u>353</u>                             | <u>78</u>                      | <u>63</u>                                                      | <u>494</u>    |

In addition to the directors' emoluments disclosed above, Dato' Lim Heen Peok and Dato' Lua Choon Hann received emoluments from PRG Holdings for the Track Record Period as follows:

|                      | <b>Year ended 31 December</b> |               | <b>Three months ended<br/>31 March</b> |               |
|----------------------|-------------------------------|---------------|----------------------------------------|---------------|
|                      | <b>2015</b>                   | <b>2016</b>   | <b>2016</b>                            | <b>2017</b>   |
|                      | <i>RM'000</i>                 | <i>RM'000</i> | <i>RM'000</i>                          | <i>RM'000</i> |
|                      |                               |               | (Unaudited)                            |               |
| Dato' Lim Heen Peok  | 50                            | 70            | 12                                     | 18            |
| Dato' Lua Choon Hann | <u>561</u>                    | <u>751</u>    | <u>—</u>                               | <u>—</u>      |

Part of the emoluments received is in respect of their service to the Group. No apportionment has been made as the directors do not believe that it is practicable to apportion these amount between their service to PRG Holdings and fellow subsidiaries of the Company and the Group.

*Notes:*

- (i) Mr. Ho Ming Hon, Dato' Sri Wee Jeck Seng and Dato' Dr. Hou Kok Chung were appointed as the Company's independent non-executive directors on 20 September 2017. During the Track Record Period, the independent non-executive directors have not yet been appointed and did not receive any emoluments.

- (ii) During the Track Record Period, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors has waived or agreed to waive any emoluments during the Track Record Period.

## 12. FIVE HIGHEST PAID INDIVIDUALS

During the Track Record Period, of the five individuals with the highest emoluments in the Group, 2 were directors of the Company whose emoluments are included in the disclosures in Note 11 above. The emoluments of the remaining 3 individuals for the Track Record Period were as follows:

|                                             | Year ended 31 December |                | Three months ended<br>31 March |                |
|---------------------------------------------|------------------------|----------------|--------------------------------|----------------|
|                                             | 2015<br>RM'000         | 2016<br>RM'000 | 2016<br>RM'000                 | 2017<br>RM'000 |
|                                             |                        |                | (Unaudited)                    |                |
| Salaries and other benefits                 | 1,154                  | 1,515          | 261                            | 306            |
| Contributions to defined contribution plans | <u>162</u>             | <u>212</u>     | <u>38</u>                      | <u>42</u>      |
|                                             | <u>1,316</u>           | <u>1,727</u>   | <u>299</u>                     | <u>348</u>     |

The emoluments of each of the above non director highest paid individuals during the Track Record Period were all within the band of Nil to HK\$1,000,000.

## 13. FINANCE COSTS

|                                                        | Year ended 31 December |                | Three months ended<br>31 March |                |
|--------------------------------------------------------|------------------------|----------------|--------------------------------|----------------|
|                                                        | 2015<br>RM'000         | 2016<br>RM'000 | 2016<br>RM'000                 | 2017<br>RM'000 |
|                                                        |                        |                | (Unaudited)                    |                |
| Interest on bank overdrafts                            | 16                     | 16             | 5                              | 3              |
| Interest on bank borrowings                            | 847                    | 981            | 255                            | 258            |
| Interest on amount due to the ultimate holding company | 191                    | 128            | 42                             | 13             |
| Interest on obligations under finance leases           | <u>25</u>              | <u>30</u>      | <u>5</u>                       | <u>10</u>      |
|                                                        | <u>1,079</u>           | <u>1,155</u>   | <u>307</u>                     | <u>284</u>     |

**14. INCOME TAX EXPENSE**

The amount of income tax expense in the combined statements of profit or loss and other comprehensive income represents:

|                                                       | Year ended 31 December |              | Three months ended |             |
|-------------------------------------------------------|------------------------|--------------|--------------------|-------------|
|                                                       | 2015                   | 2016         | 31 March           | 2017        |
|                                                       | RM'000                 | RM'000       | 2016               | 2017        |
|                                                       |                        |              | RM'000             | RM'000      |
|                                                       |                        |              | (Unaudited)        |             |
| Current tax                                           |                        |              |                    |             |
| — provision for the year                              | 1,375                  | 1,689        | 331                | 879         |
| — over provision in prior years                       | (28)                   | (192)        | —                  | —           |
|                                                       | <u>1,347</u>           | <u>1,497</u> | <u>331</u>         | <u>879</u>  |
| Deferred tax ( <i>Note 21</i> )                       |                        |              |                    |             |
| — effects on opening balances of changes in tax rates | (52)                   | —            | —                  | —           |
| — current year                                        | 143                    | (60)         | (157)              | (44)        |
| — under/(over) provision in prior years               | <u>72</u>              | <u>(111)</u> | <u>(111)</u>       | <u>(55)</u> |
|                                                       | <u>163</u>             | <u>(171)</u> | <u>(268)</u>       | <u>(99)</u> |
| Income tax expense                                    | <u>1,510</u>           | <u>1,326</u> | <u>63</u>          | <u>780</u>  |

The Malaysian income tax is calculated at the statutory tax rate of 25% of the estimated taxable profits for the year ended 31 December 2015 and 24% for the year ended 31 December 2016 and the three months ended 31 March 2016 and 2017.

Provision for Vietnamese corporate income tax (“CIT”) during the Track Record Period is made at the preferential CIT rate of 15% on the assessable profits of FVSC (VN).

PEWAV (VN) had no liability to CIT for the year ended 31 December 2015 as the assessable profits of PEWAV (VN) for the year are fully offset by tax losses brought forward from previous years. Provision for CIT for PEWAV (VN) for the year ended 31 December 2016 is made at 15% on the net assessable profits of PEWAV (VN) after offset by tax losses brought forward from previous years. PEWAV (VN) had no liability to CIT for the three months ended 31 March 2016 as PEWAV (VN) sustained losses for CIT purpose. Provision for CIT for PEWAV (VN) for the three months ended 31 March 2017 is made at 15% on the assessable profits of PEWAV (VN).

FCV (VN) had no liability to CIT during the Track Record Period as FCV (VN) sustained losses for CIT purposes.

The income tax expense for the year/period can be reconciled to the profit before income tax expense in the combined statements of profit or loss and other comprehensive income as follows:

|                                                                      | Year ended 31 December |              | Three months ended |              |
|----------------------------------------------------------------------|------------------------|--------------|--------------------|--------------|
|                                                                      | 2015                   | 2016         | 2016               | 2017         |
|                                                                      | RM'000                 | RM'000       | RM'000             | RM'000       |
|                                                                      |                        |              | (Unaudited)        |              |
| Profit before income tax expense                                     | <u>6,886</u>           | <u>7,994</u> | <u>589</u>         | <u>1,898</u> |
| Tax calculated at Malaysian statutory tax rate of 25%<br>(2016: 24%) | 1,721                  | 1,919        | 141                | 456          |
| Effect of different tax rates in Vietnam                             | (430)                  | (791)        | (57)               | (237)        |
| Tax incentive                                                        | (96)                   | (151)        | —                  | —            |
| Tax effect of expenses not deductible for tax purposes               | 457                    | 827          | 119                | 572          |
| Tax effect of revenue not taxable                                    | (176)                  | (120)        | (29)               | (30)         |
| Deferred tax assets not recognised                                   | 212                    | 274          | —                  | 83           |
| Utilisation of previously unrecognised deferred tax asset            | (128)                  | (292)        | —                  | —            |
| Deferred tax effect relating to changes in tax rate                  | (52)                   | —            | —                  | —            |
| Tax effect of share of profit of a joint venture                     | (42)                   | (37)         | —                  | (9)          |
| Over provision of income tax expense in prior years                  | (28)                   | (192)        | —                  | —            |
| Under/(over) provision of deferred tax in prior years                | <u>72</u>              | <u>(111)</u> | <u>(111)</u>       | <u>(55)</u>  |
| Income tax expense                                                   | <u>1,510</u>           | <u>1,326</u> | <u>63</u>          | <u>780</u>   |

#### 15. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the Track Record Period on a combined basis as set out in Note 2.2 to the Historical Financial Information.

## 16. PROPERTY, PLANT AND EQUIPMENT

|                                           | Freehold<br>land<br><i>RM'000</i> | Long-term<br>leasehold<br>land<br><i>RM'000</i> | Buildings<br><i>RM'000</i> | Plant and<br>machinery<br><i>RM'000</i> | Furniture,<br>fittings<br>and office<br>equipment<br><i>RM'000</i> | Motor<br>vehicles<br><i>RM'000</i> | Construction<br>in progress<br><i>RM'000</i> | Total<br><i>RM'000</i> |
|-------------------------------------------|-----------------------------------|-------------------------------------------------|----------------------------|-----------------------------------------|--------------------------------------------------------------------|------------------------------------|----------------------------------------------|------------------------|
| <b>Cost</b>                               |                                   |                                                 |                            |                                         |                                                                    |                                    |                                              |                        |
| At 1 January 2015                         | 1,009                             | 4,866                                           | 30,068                     | 40,857                                  | 2,249                                                              | 3,445                              | 467                                          | 82,961                 |
| Additions                                 | —                                 | 1,993                                           | 79                         | 247                                     | 29                                                                 | 255                                | 2,227                                        | 4,830                  |
| Disposals                                 | —                                 | —                                               | —                          | (40)                                    | —                                                                  | (916)                              | —                                            | (956)                  |
| Written off                               | —                                 | —                                               | —                          | —                                       | (3)                                                                | —                                  | —                                            | (3)                    |
| Translation adjustments                   | —                                 | —                                               | 2,217                      | 2,865                                   | 99                                                                 | 87                                 | 23                                           | 5,291                  |
| Reclassification                          | —                                 | —                                               | 167                        | 2,281                                   | 17                                                                 | —                                  | (2,465)                                      | —                      |
| At 31 December 2015 and<br>1 January 2016 | 1,009                             | 6,859                                           | 32,531                     | 46,210                                  | 2,391                                                              | 2,871                              | 252                                          | 92,123                 |
| Additions                                 | —                                 | —                                               | 118                        | 468                                     | 60                                                                 | 809                                | 2,143                                        | 3,598                  |
| Disposals                                 | —                                 | —                                               | —                          | —                                       | (7)                                                                | (775)                              | —                                            | (782)                  |
| Written off                               | —                                 | —                                               | —                          | (24)                                    | —                                                                  | —                                  | —                                            | (24)                   |
| Translation adjustments                   | —                                 | —                                               | 551                        | 902                                     | 25                                                                 | 22                                 | 21                                           | 1,521                  |
| Reclassification                          | —                                 | —                                               | —                          | 1,741                                   | —                                                                  | —                                  | (1,741)                                      | —                      |
| At 31 December 2016 and<br>1 January 2017 | 1,009                             | 6,859                                           | 33,200                     | 49,297                                  | 2,469                                                              | 2,927                              | 675                                          | 96,436                 |
| Additions                                 | —                                 | —                                               | 30                         | 1,116                                   | 11                                                                 | —                                  | 128                                          | 1,285                  |
| Disposals                                 | —                                 | —                                               | —                          | —                                       | —                                                                  | (150)                              | —                                            | (150)                  |
| Written off                               | —                                 | —                                               | —                          | —                                       | (4)                                                                | —                                  | —                                            | (4)                    |
| Translation adjustments                   | —                                 | —                                               | 37                         | 53                                      | 2                                                                  | 1                                  | 1                                            | 94                     |
| Reclassification                          | —                                 | —                                               | —                          | —                                       | —                                                                  | —                                  | —                                            | —                      |
| At 31 March 2017                          | <u>1,009</u>                      | <u>6,859</u>                                    | <u>33,267</u>              | <u>50,466</u>                           | <u>2,478</u>                                                       | <u>2,778</u>                       | <u>804</u>                                   | <u>97,661</u>          |

|                                                                                                                                                                                                                                                                                                                                                                                               | Freehold<br>land<br>RM'000 | Long-term<br>leasehold<br>land<br>RM'000 | Buildings<br>RM'000 | Plant and<br>machinery<br>RM'000 | Furniture,<br>fittings<br>and office<br>equipment<br>RM'000 | Motor<br>vehicles<br>RM'000 | Construction<br>in progress<br>RM'000 | Total<br>RM'000 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------------------------------------|---------------------|----------------------------------|-------------------------------------------------------------|-----------------------------|---------------------------------------|-----------------|
| <b>Accumulated depreciation</b>                                                                                                                                                                                                                                                                                                                                                               |                            |                                          |                     |                                  |                                                             |                             |                                       |                 |
| At 1 January 2015                                                                                                                                                                                                                                                                                                                                                                             | —                          | 1,306                                    | 7,441               | 33,938                           | 1,682                                                       | 1,960                       | —                                     | 46,327          |
| Charge for the year                                                                                                                                                                                                                                                                                                                                                                           | —                          | 88                                       | 1,171               | 2,145                            | 120                                                         | 472                         | —                                     | 3,996           |
| Disposals                                                                                                                                                                                                                                                                                                                                                                                     | —                          | —                                        | —                   | (29)                             | —                                                           | (672)                       | —                                     | (701)           |
| Written off                                                                                                                                                                                                                                                                                                                                                                                   | —                          | —                                        | —                   | —                                | (3)                                                         | —                           | —                                     | (3)             |
| Translation adjustments                                                                                                                                                                                                                                                                                                                                                                       | —                          | —                                        | 624                 | 2,367                            | 69                                                          | 67                          | —                                     | 3,127           |
| At 31 December 2015 and<br>1 January 2016                                                                                                                                                                                                                                                                                                                                                     | —                          | 1,394                                    | 9,236               | 38,421                           | 1,868                                                       | 1,827                       | —                                     | 52,746          |
| Charge for the year                                                                                                                                                                                                                                                                                                                                                                           | —                          | 88                                       | 1,045               | 1,942                            | 126                                                         | 433                         | —                                     | 3,634           |
| Disposals                                                                                                                                                                                                                                                                                                                                                                                     | —                          | —                                        | —                   | —                                | (7)                                                         | (746)                       | —                                     | (753)           |
| Written off                                                                                                                                                                                                                                                                                                                                                                                   | —                          | —                                        | —                   | (7)                              | —                                                           | —                           | —                                     | (7)             |
| Translation adjustments                                                                                                                                                                                                                                                                                                                                                                       | —                          | —                                        | 206                 | 670                              | 20                                                          | 17                          | —                                     | 913             |
| At 31 December 2016 and<br>1 January 2017                                                                                                                                                                                                                                                                                                                                                     | —                          | 1,482                                    | 10,487              | 41,026                           | 2,007                                                       | 1,531                       | —                                     | 56,533          |
| Charge for the period                                                                                                                                                                                                                                                                                                                                                                         | —                          | 22                                       | 273                 | 429                              | 32                                                          | 106                         | —                                     | 862             |
| Disposals                                                                                                                                                                                                                                                                                                                                                                                     | —                          | —                                        | —                   | —                                | —                                                           | (97)                        | —                                     | (97)            |
| Written off                                                                                                                                                                                                                                                                                                                                                                                   | —                          | —                                        | —                   | —                                | (4)                                                         | —                           | —                                     | (4)             |
| Translation adjustments                                                                                                                                                                                                                                                                                                                                                                       | —                          | —                                        | 11                  | 42                               | 1                                                           | 1                           | —                                     | 55              |
| At 31 March 2017                                                                                                                                                                                                                                                                                                                                                                              | —                          | 1,504                                    | 10,771              | 41,497                           | 2,036                                                       | 1,541                       | —                                     | 57,349          |
| <b>Net book value</b>                                                                                                                                                                                                                                                                                                                                                                         |                            |                                          |                     |                                  |                                                             |                             |                                       |                 |
| At 31 December 2015                                                                                                                                                                                                                                                                                                                                                                           | <u>1,009</u>               | <u>5,465</u>                             | <u>23,295</u>       | <u>7,789</u>                     | <u>523</u>                                                  | <u>1,044</u>                | <u>252</u>                            | <u>39,377</u>   |
| At 31 December 2016                                                                                                                                                                                                                                                                                                                                                                           | <u>1,009</u>               | <u>5,377</u>                             | <u>22,713</u>       | <u>8,271</u>                     | <u>462</u>                                                  | <u>1,396</u>                | <u>675</u>                            | <u>39,903</u>   |
| At 31 March 2017                                                                                                                                                                                                                                                                                                                                                                              | <u>1,009</u>               | <u>5,355</u>                             | <u>22,496</u>       | <u>8,969</u>                     | <u>442</u>                                                  | <u>1,237</u>                | <u>804</u>                            | <u>40,312</u>   |
| (a) As at 31 December 2015 and 2016 and 31 March 2017, freehold land, long term leasehold land, buildings and certain plant and machinery of the Group with carrying amount of RM29,477,000, RM30,515,000 and RM28,858,000 respectively are pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 24 to the Historical Financial Information. |                            |                                          |                     |                                  |                                                             |                             |                                       |                 |
| (b) As at 31 December 2015 and 2016 and 31 March 2017, property, plant and equipment of the Group included motor vehicles acquired under finance lease arrangements with carrying amounts of RM523,000, RM1,061,000 and RM884,000 respectively.                                                                                                                                               |                            |                                          |                     |                                  |                                                             |                             |                                       |                 |

## 17. INTANGIBLE ASSETS

|                                                | Goodwill<br>RM'000 | Computer<br>software<br>RM'000 | License<br>RM'000 | Total<br>RM'000 |
|------------------------------------------------|--------------------|--------------------------------|-------------------|-----------------|
| <b>Cost</b>                                    |                    |                                |                   |                 |
| At 1 January 2015                              | 1,233              | 284                            | 18                | 1,535           |
| Additions                                      | —                  | 17                             | —                 | 17              |
| Translation adjustments                        | —                  | 25                             | 3                 | 28              |
| At 31 December 2015 and 1 January 2016         | 1,233              | 326                            | 21                | 1,580           |
| Additions                                      | —                  | 4                              | —                 | 4               |
| Translation adjustments                        | —                  | 6                              | 1                 | 7               |
| At 31 December 2016 and 1 January 2017         | 1,233              | 336                            | 22                | 1,591           |
| Additions                                      | —                  | —                              | —                 | —               |
| At 31 March 2017                               | 1,233              | 336                            | 22                | 1,591           |
| <b>Accumulated amortisation and impairment</b> |                    |                                |                   |                 |
| At 1 January 2015                              | —                  | 219                            | 15                | 234             |
| Charge for the year                            | —                  | 27                             | 2                 | 29              |
| Translation adjustment                         | —                  | 19                             | 2                 | 21              |
| At 31 December 2015 and 1 January 2016         | —                  | 265                            | 19                | 284             |
| Charge for the year                            | —                  | 21                             | 2                 | 23              |
| Translation adjustment                         | —                  | 6                              | 1                 | 7               |
| At 31 December 2016                            | —                  | 292                            | 22                | 314             |
| Charge for the period                          | —                  | 5                              | —                 | 5               |
| At 31 March 2017                               | —                  | 297                            | 22                | 319             |
| <b>Net book value</b>                          |                    |                                |                   |                 |
| At 31 December 2015                            | 1,233              | 61                             | 2                 | 1,296           |
| At 31 December 2016                            | 1,233              | 44                             | —                 | 1,277           |
| At 31 March 2017                               | 1,233              | 39                             | —                 | 1,272           |

## (a) Goodwill

|                       | As at 31 December<br>2015<br>RM'000 | As at 31 December<br>2016<br>RM'000 | As at<br>31 March<br>2017<br>RM'000 |
|-----------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Goodwill, gross       | 1,233                               | 1,233                               | 1,233                               |
| Less: Impairment loss | —                                   | —                                   | —                                   |
| Goodwill, net         | 1,233                               | 1,233                               | 1,233                               |

The carrying amount of goodwill arising from the further acquisition of 40% equity interest in FSWSB (MY) in 2006 had been allocated to the CGU of manufacture and sale of safety webbings operated by FSWSB (MY).

- (i) For the purpose of impairment testing as at 31 December 2015 and 2016 and 31 March 2017, the recoverable amount of the CGU is determined based on a "value in use" calculation. The value in use of the CGU is determined by discounting the future cash flows to be generated from continuing use of the CGU. The value in use as at 31 December 2015 and 2016 and 31 March 2017 is derived based on management's cash flow projections for three years from 2016 to 2018, 2017 to 2019 and nine months ending 31 December 2017 to three months ending 31 March 2020 respectively.

The key assumptions used in the value in use calculations are as follows:

- (1) The anticipated average annual revenue growth rates used in the cash flow projections of the CGU ranged from 12% to 30%, 12% to 18% and 12% to 18% per annum for the years 2016 to 2018, 2017 to 2019 and nine months ending 31 December 2017 to three months ending 31 March 2020 respectively. The forecast revenue growth rate of 30% for 2016 was achieved.
- (2) Profit margins are projected based on the historical profit margin achieved for the products.
- (3) The cash flows of the CGU beyond the three-year period are extrapolated using a growth rate of 2% which was below the average growth rate of the industry.
- (4) Pre tax discount rate of 16.07% was applied for the year ended 31 December 2015, 17.28% was applied for the year ended 31 December 2016 and 16.87% was applied for the three months ended 31 March 2017 over the projection periods in determining the recoverable amount of the CGU. The discount rate used is pre-tax and reflects the overall weighted average cost of capital of the CGU.

- (ii) *Sensitivity to changes in assumptions*

The management believes that a reasonably possible change in the key assumptions on which management has based its determination of the CGU's recoverable amount would not cause the CGU's carrying amount to exceed its recoverable amount.

## 18. INTEREST IN A JOINT VENTURE

|                     | As at 31 December |              | As at      |
|---------------------|-------------------|--------------|------------|
|                     | 2015              | 2016         | 31 March   |
|                     | RM'000            | RM'000       | RM'000     |
| Share of net assets | <u>1,413</u>      | <u>1,355</u> | <u>972</u> |

Trunet (Vietnam) Co., Ltd., the only joint venture in which the Group participates, is an unlisted separate entity incorporated and operating in Vietnam. The principal activity of Trunet (Vietnam) Co., Ltd. is manufacture and marketing of meat netting which is in line with the Group's strategy to expand the product lines available under the elastic textile segment.

The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligations for liabilities of the joint arrangement resting primarily with Trunet (Vietnam) Co., Ltd.. Under IFRS 11, this joint arrangement is classified as a joint venture and has been included in the combined financial statements using the equity method.



**APPENDIX I****ACCOUNTANT'S REPORT**

The summarised financial information of the joint venture, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the combined financial statements, are as follows:

|                                                                    | <b>As at 31 December</b>      |                           | <b>As at</b>    |
|--------------------------------------------------------------------|-------------------------------|---------------------------|-----------------|
|                                                                    | <b>2015</b>                   | <b>2016</b>               | <b>31 March</b> |
|                                                                    | <i>RM'000</i>                 | <i>RM'000</i>             | <i>RM'000</i>   |
| Assets and liabilities                                             |                               |                           |                 |
| Non-current assets                                                 | 293                           | 251                       | 234             |
| Current assets                                                     | 2,758                         | 2,659                     | 2,047           |
| Current liabilities                                                | <u>(226)</u>                  | <u>(200)</u>              | <u>(338)</u>    |
| Net assets                                                         | <u>2,825</u>                  | <u>2,710</u>              | <u>1,943</u>    |
| Reconciliation to the Group's interest in a joint venture:         |                               |                           |                 |
| Proportion of the Group's ownership                                | 50%                           | 50%                       | 50%             |
| Carrying amount of the investment                                  | <u>1,413</u>                  | <u>1,355</u>              | <u>972</u>      |
| Included in the net assets are:                                    |                               |                           |                 |
| Cash and cash equivalents                                          | 1,743                         | 1,544                     | 772             |
| Current financial liabilities (excluding trade and other payables) | <u>(117)</u>                  | <u>(99)</u>               | <u>(257)</u>    |
|                                                                    |                               |                           |                 |
|                                                                    | <b>Year ended 31 December</b> | <b>Three months ended</b> |                 |
|                                                                    | <b>2015</b>                   | <b>2016</b>               | <b>31 March</b> |
|                                                                    | <i>RM'000</i>                 | <i>RM'000</i>             | <i>2016</i>     |
|                                                                    |                               |                           | <i>2017</i>     |
|                                                                    |                               |                           | <i>RM'000</i>   |
|                                                                    |                               |                           | <i>RM'000</i>   |
|                                                                    |                               |                           | (Unaudited)     |
| Results                                                            |                               |                           |                 |
| Revenue                                                            | <u>3,108</u>                  | <u>3,274</u>              | <u>718</u>      |
| Profit/(loss) before income tax expense                            | 553                           | 505                       | (6)             |
| Income tax expense                                                 | <u>(85)</u>                   | <u>(74)</u>               | <u>—</u>        |
| Profit after tax                                                   | 468                           | 431                       | (6)             |
| Other comprehensive income:                                        |                               |                           |                 |
| Foreign currency translations                                      | <u>332</u>                    | <u>92</u>                 | <u>(49)</u>     |
| Total comprehensive income                                         | <u>800</u>                    | <u>523</u>                | <u>(55)</u>     |
| Other information:                                                 |                               |                           |                 |
| Dividend received from the joint venture                           | <u>(703)</u>                  | <u>(319)</u>              | <u>(319)</u>    |
| Included in the above amounts are:                                 |                               |                           |                 |
| Depreciation and amortisation                                      | (34)                          | (49)                      | 14              |
| Interest expense                                                   | <u>(41)</u>                   | <u>(88)</u>               | <u>—</u>        |

The joint venture had no contingent liabilities and capital commitments as at 31 December 2015 and 2016 and 31 March 2017.

## 19. TRADE AND OTHER RECEIVABLES

|                   | As at 31 December |               | As at         |
|-------------------|-------------------|---------------|---------------|
|                   | 2015              | 2016          | 31 March      |
|                   | RM'000            | RM'000        | 2017          |
|                   |                   |               | RM'000        |
| Trade receivables | 16,039            | 16,932        | 14,737        |
| Other receivables | <u>2,416</u>      | <u>3,860</u>  | <u>4,686</u>  |
|                   | <u>18,455</u>     | <u>20,792</u> | <u>19,423</u> |

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

The ageing analysis of trade receivables, based on invoice dates, as at 31 December 2015 and 2016 and 31 March 2017 are as follows:

|                | As at 31 December |               | As at         |
|----------------|-------------------|---------------|---------------|
|                | 2015              | 2016          | 31 March      |
|                | RM'000            | RM'000        | 2017          |
|                |                   |               | RM'000        |
| Within 30 days | 8,170             | 8,145         | 7,310         |
| 31 to 60 days  | 4,960             | 4,304         | 4,407         |
| 61 to 90 days  | 2,241             | 2,834         | 1,459         |
| Over 90 days   | <u>668</u>        | <u>1,649</u>  | <u>1,561</u>  |
|                | <u>16,039</u>     | <u>16,932</u> | <u>14,737</u> |

The ageing of trade receivables which are past due but not impaired as at 31 December 2015 and 2016 and 31 March 2017 are as follows:

|                               | As at 31 December |               | As at         |
|-------------------------------|-------------------|---------------|---------------|
|                               | 2015              | 2016          | 31 March      |
|                               | RM'000            | RM'000        | 2017          |
|                               |                   |               | RM'000        |
| Neither past due nor impaired | <u>11,934</u>     | <u>12,978</u> | <u>12,414</u> |
| Past due but not impaired     |                   |               |               |
| — Within 30 days              | 3,864             | 2,769         | 2,010         |
| — 31 to 60 days               | 171               | 913           | 45            |
| — 61 to 90 days               | 12                | 87            | 40            |
| — Over 90 days                | <u>58</u>         | <u>185</u>    | <u>228</u>    |
|                               | <u>16,039</u>     | <u>16,932</u> | <u>14,737</u> |

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the Track Record Period.

The Group has trade receivables amounting to RM4,105,000, RM3,954,000 and RM2,323,000 that are past due as at 31 December 2015 and 2016 and 31 March 2017 respectively but not impaired. Trade receivables of the Group that are past due but not impaired are unsecured. The Group closely monitors the financial standing of these debtors on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The movements in provision for impairment of trade receivables are as follows:

|                            | As at 31 December |           | As at     |
|----------------------------|-------------------|-----------|-----------|
|                            | 2015              | 2016      | 31 March  |
|                            | RM'000            | RM'000    | 2017      |
|                            |                   |           | RM'000    |
| At 1 January               | 126               | 135       | 89        |
| Impairment loss recognised | —                 | 15        | —         |
| Bad debt written off       | —                 | (64)      | —         |
| Exchange differences       | 9                 | 3         | —         |
|                            | <u>135</u>        | <u>89</u> | <u>89</u> |
| At 31 December/31 March    | <u>135</u>        | <u>89</u> | <u>89</u> |

Trade receivables that are individually determined to be impaired as at 31 December 2015 and 2016 and 31 March 2017 relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

## 20. AMOUNTS DUE FROM/TO A JOINT VENTURE/FELLOW SUBSIDIARIES/ULTIMATE HOLDING COMPANY AND LOAN TO A FELLOW SUBSIDIARY

### (a) Balances with a joint venture

Particulars of the amount due from a joint venture are as follows:

|                           | As at 31 December |           | As at     |
|---------------------------|-------------------|-----------|-----------|
|                           | 2015              | 2016      | 31 March  |
|                           | RM'000            | RM'000    | 2017      |
|                           |                   |           | RM'000    |
| Trunet (Vietnam) Co. Ltd. | <u>95</u>         | <u>47</u> | <u>69</u> |

The amount due from a joint venture is non-trade in nature, unsecured, interest-free and repayable on demand.

### (b) Balances with fellow subsidiaries

Group

(i) Particulars of the amounts due from fellow subsidiaries are as follows:

|                                                                                           | As at 31 December |              | As at        |
|-------------------------------------------------------------------------------------------|-------------------|--------------|--------------|
|                                                                                           | 2015              | 2016         | 31 March     |
|                                                                                           | RM'000            | RM'000       | 2017         |
|                                                                                           |                   |              | RM'000       |
| Premier Construction Sdn. Bhd.                                                            | 413               | 2,327        | 2,422        |
| Premier De Muara Sdn. Bhd.                                                                | 484               | 2,286        | 3,360        |
| PRG Property Sdn. Bhd. (formerly known as Premier Gesture Sdn. Bhd prior to 21 June 2017) | <u>2,516</u>      | <u>3,206</u> | <u>3,259</u> |
|                                                                                           | <u>3,413</u>      | <u>7,819</u> | <u>9,041</u> |

The amounts due from fellow subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

(ii) As at 31 December 2015 and 2016 and 31 March 2017, the amount due to PRG Property Sdn. Bhd. (formerly known as Premier Gesture Sdn. Bhd. prior to 21 June 2017) of RM953,000, RM994,000 and RM1,000,000 respectively, is non-trade in nature, unsecured, interest-free and repayable on demand.

(iii) The balances with fellow subsidiaries were fully settled before Listing.

*Company*

As at 31 March 2017, the amount due to Premier Construction Sdn. Bhd. is non-trade in nature, unsecured, interest-free and repayable on demand.

**(c) Balances with the ultimate holding company**

*Group*

(i) Particulars of the amount due from the ultimate holding company are as follows:

|              | As at 31 December |        | As at    |
|--------------|-------------------|--------|----------|
|              | 2015              | 2016   | 31 March |
|              | RM'000            | RM'000 | 2017     |
|              |                   |        | RM'000   |
| PRG Holdings | 1,988             | 2,902  | 2,995    |

The amount due from the ultimate holding company is non-trade in nature, unsecured, interest-free and repayable on demand.

(ii) The amount due to the ultimate holding company is non-trade in nature, unsecured, interest-free and repayable on demand, except for RM5,718,000, RM2,898,000 and RM2,515,000 as at 31 December 2015 and 2016 and 31 March 2017 respectively, which is interest-bearing at 4% per annum and repayable on 31 December 2017.

(iii) The balances with the ultimate holding company were fully settled before Listing.

*Company*

The amount due from the ultimate holding company is non-trade in nature, unsecured, interest-free and repayable on demand.

**(d) Particulars of loan to a fellow subsidiary are as follows:**

|                            | As at 31 December |        | As at    |
|----------------------------|-------------------|--------|----------|
|                            | 2015              | 2016   | 31 March |
|                            | RM'000            | RM'000 | 2017     |
|                            |                   |        | RM'000   |
| Premier De Muara Sdn. Bhd. | 7,066             | 7,489  | 7,594    |

Loan to a fellow subsidiary is unsecured, interest bearing at 6.36% per annum and repayable not later than 31 December 2019. Interest is accrued in arrears at the end of each month based on principal outstanding and is due to be paid on repayment of the loan principal which is not later than 31 December 2019.

The loan to a fellow subsidiary was fully settled before Listing.

**(e) Balance with a subsidiary**

*Company*

The amount due to a subsidiary is non-trade in nature, unsecured, interest-free and repayable on demand.

**21. DEFERRED TAX**

- (a) Details of the deferred tax liabilities and assets recognised and movement during the Track Record Period are as follows:

|                                           | Accelerated<br>depreciation<br>and industrial<br>building<br>allowances<br><i>RM'000</i> | Unabsorbed<br>tax losses<br><i>RM'000</i> | Other<br>deductible<br>temporary<br>differences<br><i>RM'000</i> | Others<br><i>RM'000</i> | Total<br><i>RM'000</i> |
|-------------------------------------------|------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------------------------------|-------------------------|------------------------|
| At 1 January 2015                         | 1,611                                                                                    | (230)                                     | (344)                                                            | (36)                    | 1,001                  |
| Recognised in profit or loss              | <u>(257)</u>                                                                             | <u>213</u>                                | <u>186</u>                                                       | <u>21</u>               | <u>163</u>             |
| At 31 December 2015 and<br>1 January 2016 | 1,354                                                                                    | (17)                                      | (158)                                                            | (15)                    | 1,164                  |
| Recognised in profit or loss              | <u>(260)</u>                                                                             | <u>—</u>                                  | <u>77</u>                                                        | <u>12</u>               | <u>(171)</u>           |
| At 31 December 2016 and<br>1 January 2017 | 1,094                                                                                    | (17)                                      | (81)                                                             | (3)                     | 993                    |
| Recognised in profit or loss              | <u>(99)</u>                                                                              | <u>—</u>                                  | <u>—</u>                                                         | <u>—</u>                | <u>(99)</u>            |
| At 31 March 2017                          | <u>995</u>                                                                               | <u>(17)</u>                               | <u>(81)</u>                                                      | <u>(3)</u>              | <u>894</u>             |

- (b) The following is the analysis of the deferred tax balance for financial reporting purposes after appropriate offsetting:

|                               | As at 31 December |               | As at         |
|-------------------------------|-------------------|---------------|---------------|
|                               | 2015              | 2016          | 31 March      |
|                               | <i>RM'000</i>     | <i>RM'000</i> | <i>RM'000</i> |
| Deferred tax assets           | (15)              | (3)           | (3)           |
| Deferred tax liabilities, net | <u>1,179</u>      | <u>996</u>    | <u>897</u>    |
|                               | <u>1,164</u>      | <u>993</u>    | <u>894</u>    |

- (c) The amounts of tax losses for which no deferred tax assets have been recognised in the combined statements of financial position are as follows:

|                         | As at 31 December |               | As at         |
|-------------------------|-------------------|---------------|---------------|
|                         | 2015              | 2016          | 31 March      |
|                         | <i>RM'000</i>     | <i>RM'000</i> | <i>RM'000</i> |
| Unrecognised tax losses |                   |               |               |
| — Malaysia subsidiaries | 272               | 284           | 284           |
| — Vietnam subsidiaries  | <u>4,710</u>      | <u>3,523</u>  | <u>4,077</u>  |
|                         | <u>4,982</u>      | <u>3,807</u>  | <u>4,361</u>  |

As at 31 December 2015 and 2016 and 31 March 2017, the unrecognised tax losses of Vietnam subsidiaries amounting to approximately VND26,548,874,000 equivalent to RM4,710,000, VND19,065,234,000 equivalent to RM3,523,000 and VND20,771,380,000 equivalent to RM4,077,000 respectively, will expire in:

|      | As at 31 December |              | As at<br>31 March |
|------|-------------------|--------------|-------------------|
|      | 2015              | 2016         | 2017              |
|      | RM'000            | RM'000       | RM'000            |
| 2016 | 883               | —            | —                 |
| 2017 | 1,596             | 326          | 346               |
| 2018 | 249               | 259          | 275               |
| 2019 | 569               | 592          | 629               |
| 2020 | 1,413             | 1,472        | 1,564             |
| 2021 | —                 | 874          | 928               |
| 2022 | —                 | —            | 335               |
|      | <u>4,710</u>      | <u>3,523</u> | <u>4,077</u>      |

No deferred tax assets has been recognised in respect of the above tax losses as it is not probable that future taxable profits of the Vietnam subsidiaries will be available against which such tax losses can be utilised.

The unrecognised tax losses of Malaysia subsidiaries do not expire under the current tax legislation.

## 22. INVENTORIES

|                   | As at 31 December |               | As at<br>31 March |
|-------------------|-------------------|---------------|-------------------|
|                   | 2015              | 2016          | 2017              |
|                   | RM'000            | RM'000        | RM'000            |
| Raw materials     | 10,345            | 10,661        | 12,606            |
| Work in progress  | 4,459             | 4,083         | 5,294             |
| Finished goods    | 5,736             | 7,624         | 6,748             |
| Other consumables | <u>1,495</u>      | <u>1,520</u>  | <u>1,560</u>      |
|                   | <u>22,035</u>     | <u>23,888</u> | <u>26,208</u>     |

Inventories written down during the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017 amounted to RM861,000, RM587,000 and RM357,000 and are included in cost of sales.

During the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, the Group reversed RM2,000, RM63,000 and nil in respect of inventories written down in previous years, which were subsequently not required as the Group was able to sell those inventories above their carrying amounts.

## 23. TRADE AND OTHER PAYABLES

|                | As at 31 December |               | As at<br>31 March |
|----------------|-------------------|---------------|-------------------|
|                | 2015              | 2016          | 2017              |
|                | RM'000            | RM'000        | RM'000            |
| Trade payables | 5,470             | 6,102         | 7,138             |
| Bills payable  | 8,462             | 10,141        | 11,522            |
| Other payables | <u>3,447</u>      | <u>5,681</u>  | <u>6,675</u>      |
|                | <u>17,379</u>     | <u>21,924</u> | <u>25,335</u>     |

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

The ageing analysis of trade and bills payables, based on invoice dates, as at 31 December 2015 and 2016 and 31 March 2017 are as follows:

|                | As at 31 December |               | As at<br>31 March |
|----------------|-------------------|---------------|-------------------|
|                | 2015              | 2016          | 2017              |
|                | RM'000            | RM'000        | RM'000            |
| Within 30 days | 5,067             | 5,350         | 6,234             |
| 31 to 60 days  | 2,791             | 3,243         | 3,860             |
| 61 to 90 days  | 2,311             | 2,808         | 2,638             |
| Over 90 days   | 3,763             | 4,842         | 5,928             |
|                | <u>13,932</u>     | <u>16,243</u> | <u>18,660</u>     |

#### 24. BANK BORROWINGS

|                                                            | As at 31 December |               | As at<br>31 March |
|------------------------------------------------------------|-------------------|---------------|-------------------|
|                                                            | 2015              | 2016          | 2017              |
|                                                            | RM'000            | RM'000        | RM'000            |
| Term loans (secured) (Notes (a) and (b))                   | 10,763            | 10,971        | 11,049            |
| Bank overdraft (secured) (Note (a))                        | 648               | 660           | 209               |
|                                                            | <u>11,411</u>     | <u>11,631</u> | <u>11,258</u>     |
| Borrowings are repayable as follows:                       |                   |               |                   |
| — within one year                                          | 988               | 1,445         | 1,075             |
| — after one year but within two years                      | 238               | 251           | 314               |
| — after two years but within five years                    | 791               | 832           | 842               |
| — after five years                                         | 9,394             | 9,103         | 9,027             |
|                                                            | <u>11,411</u>     | <u>11,631</u> | <u>11,258</u>     |
| Amount due within one year included in current liabilities | <u>988</u>        | <u>1,445</u>  | <u>1,075</u>      |
| Amount included in non-current liabilities                 | <u>10,423</u>     | <u>10,186</u> | <u>10,183</u>     |

#### Notes:

- (a) Term loans and bank overdraft are interest-bearing at floating rates. The interest rates of the Group's term loans and bank overdraft as at 31 December 2015 and 2016 and 31 March 2017 ranged from 4.00% to 8.60%, 3.25% to 8.45% and 3.25% to 8.70% per annum, respectively.
- (b) As at 31 December 2015 and 2016 and 31 March 2017, the carrying amount of term loans from banks in Malaysia that are not repayable within one year from the end of the reporting period but contains repayable on demand clause amounted to RM10,423,000, RM10,186,000 and RM10,183,000, respectively.

The directors of the Company have obtained legal opinion that, in accordance with the case laws established in Malaysia, the mere inclusion of a repayment on demand clause in a term loan agreement governed under the laws of Malaysia would not allow the banks to early terminate the facilities granted and to seek immediate repayment from the borrower unless there is a breach by the borrower, as the clause would not override other terms and conditions provided in the term loan agreement.

Accordingly, the liability associated with the term loans of the Group raised in Malaysia that contained a repayable on demand clause is classified as current and/or non-current liability as at 31 December 2015 and 2016 and 31 March 2017 in accordance with other terms and conditions as stated in the respective term loan agreement.

Any change to the precedence established by the case laws in Malaysia relating to the interpretation of the repayment on demand clause in the future may have an impact to the classification of the term loans of the Group.

- (c) As at the end of each reporting period, the Group's banking facilities are secured by:
- (i) As at 31 December 2015 and 2016 and 31 March 2017, a pledge over the Group's freehold land, long-term leasehold land, buildings and certain plant and machinery with a total carrying amount of RM29,477,000, RM30,515,000 and RM28,858,000 respectively as disclosed in Note 16 to the Historical Financial Information.
  - (ii) Corporate guarantees issued by PRG Holdings.
  - (iii) Joint and several personal guarantee of RM1,650,000 issued by Mr. Cheah Eng Chuan and other directors of a wholly-owned subsidiary.

The guarantees as set out in (ii) and (iii) above will be replaced by corporate guarantees from the Company upon listing of its shares on GEM.

## 25. OBLIGATIONS UNDER FINANCE LEASE

The Group financed certain motor vehicles purchase through finance lease arrangement.

|                                                    | Minimum<br>lease<br>payments<br><i>RM'000</i> | Interest<br><i>RM'000</i> | Present<br>value of<br>minimum<br>lease<br>payments<br><i>RM'000</i> |
|----------------------------------------------------|-----------------------------------------------|---------------------------|----------------------------------------------------------------------|
| <b>31 December 2015</b>                            |                                               |                           |                                                                      |
| Not later than one year                            | 122                                           | 20                        | 102                                                                  |
| Later than one year but not later than two years   | 122                                           | 14                        | 108                                                                  |
| Later than two years but not later than five years | <u>242</u>                                    | <u>11</u>                 | <u>231</u>                                                           |
|                                                    | <u>486</u>                                    | <u>45</u>                 | <u>441</u>                                                           |
| <b>31 December 2016</b>                            |                                               |                           |                                                                      |
| Not later than one year                            | 292                                           | 36                        | 256                                                                  |
| Later than one year but not later than two years   | 292                                           | 22                        | 270                                                                  |
| Later than two years but not later than five years | <u>352</u>                                    | <u>12</u>                 | <u>340</u>                                                           |
|                                                    | <u>936</u>                                    | <u>70</u>                 | <u>866</u>                                                           |
| <b>As at 31 March 2017</b>                         |                                               |                           |                                                                      |
| Not later than one year                            | 292                                           | 32                        | 260                                                                  |
| Later than one year but not later than two years   | 292                                           | 19                        | 273                                                                  |
| Later than two years but not later than five years | <u>280</u>                                    | <u>9</u>                  | <u>271</u>                                                           |
|                                                    | <u>864</u>                                    | <u>60</u>                 | <u>804</u>                                                           |



The present value of future lease payments are analysed as:

|                         | As at 31 December |            | As at      |
|-------------------------|-------------------|------------|------------|
|                         | 2015              | 2016       | 31 March   |
|                         | RM'000            | RM'000     | 2017       |
|                         |                   |            | RM'000     |
| Current liabilities     | 102               | 256        | 260        |
| Non-current liabilities | 339               | 610        | 544        |
|                         | <u>441</u>        | <u>866</u> | <u>804</u> |

## 26. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 3 March 2017 with an authorised share capital of HK\$100,000 divided into 1,000,000 ordinary shares with a par value of HK\$0.1 per share. On 3 March 2017, one nil-paid share was allotted to the initial subscriber which was transferred to PRG Holdings on the same date and 999,999 shares were allotted and issued, nil paid to PRG Holdings. Therefore, issued share capital is shown as nil in the combined statements of financial position as at 31 December 2015 and 2016 and 31 March 2017.

On 21 September 2017, the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of 999,000,000 new shares.

On 21 September 2017, the Company acquired the entire issued share capital in FIPB in consideration of and in exchange for which the Company (i) allotted and issued, credited as fully paid, an aggregate of 19,000,000 new shares to PRG Holdings; and (ii) credited as fully paid at par the 1,000,000 shares issued as nil paid which was registered in the name of PRG Holdings.

## 27. RESERVES

*The Company*

|                                         | Accumulated<br>loss<br>RM'000 |
|-----------------------------------------|-------------------------------|
| At 3 March 2017 (date of incorporation) | —                             |
| Loss for the period                     | (2,083)                       |
| At 31 March 2017                        | <u>(2,083)</u>                |

## 28. DIVIDEND

|                                                           | Year ended 31 December |          | Three months ended |              |
|-----------------------------------------------------------|------------------------|----------|--------------------|--------------|
|                                                           | 2015                   | 2016     | 31 March           |              |
|                                                           | RM'000                 | RM'000   | 2016               | 2017         |
|                                                           |                        |          | RM'000             | RM'000       |
|                                                           |                        |          | (Unaudited)        |              |
| Final dividend paid in respect of the year ended          |                        |          |                    |              |
| 31 December 2014                                          | 1,488                  | —        | —                  | —            |
| Final dividend paid in respect of the year ended          |                        |          |                    |              |
| 31 December 2015                                          | —                      | 10,507   | 1,389              | 2,208        |
| Final dividend paid/declared in respect of the year ended |                        |          |                    |              |
| 31 December 2016                                          | <u>—</u>               | <u>—</u> | <u>—</u>           | <u>6,255</u> |

No dividend has been paid or declared by the Company since its incorporation. For the purpose of the Historical Financial Information, the dividends for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2016 and 2017 represented final dividends paid/declared by the following subsidiaries to PRG Holdings:

|           | Year ended 31 December |               | Three months ended<br>31 March |              |
|-----------|------------------------|---------------|--------------------------------|--------------|
|           | 2015                   | 2016          | 2016                           | 2017         |
|           | RM'000                 | RM'000        | RM'000                         | RM'000       |
|           |                        |               | (Unaudited)                    |              |
| FVSC (VN) | 738                    | 10,507        | 1,389                          | 8,463        |
| TMSB (MY) | <u>750</u>             | <u>—</u>      | <u>—</u>                       | <u>—</u>     |
|           | <u>1,488</u>           | <u>10,507</u> | <u>1,389</u>                   | <u>8,463</u> |

Final dividend declared by FVSC (VN) of RM4,016,000 on 25 March 2017 in respect of the year ended 31 December 2016 was paid in April 2017.

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of the Historical Financial Information.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

## 29. OPERATING LEASES

As at 31 December 2015 and 2016 and 31 March 2017, the Group had operating lease commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

|                                                   | As at 31 December |               | As at         |
|---------------------------------------------------|-------------------|---------------|---------------|
|                                                   | 2015              | 2016          | 31 March      |
|                                                   | RM'000            | RM'000        | 2017          |
|                                                   |                   |               | RM'000        |
| Not later than one year                           | 563               | 622           | 623           |
| Later than one year and not later than five years | 1,643             | 2,069         | 2,024         |
| Later than five years                             | <u>10,535</u>     | <u>10,570</u> | <u>10,484</u> |
|                                                   | <u>12,741</u>     | <u>13,261</u> | <u>13,131</u> |

The Group's operating lease commitment comprises the following:

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

None of the leases included contingent rentals.

**30. RELATED PARTY TRANSACTIONS**

- (a) In addition to the transactions and balances detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Track Record Period:

| Name of related party      | Relationship                | Nature of transactions             | Amount       |              |                    |             |
|----------------------------|-----------------------------|------------------------------------|--------------|--------------|--------------------|-------------|
|                            |                             |                                    | Year ended   |              | Three months ended |             |
|                            |                             |                                    | 31 December  |              | 31 March           |             |
|                            |                             |                                    | 2015         | 2016         | 2016               | 2017        |
|                            |                             |                                    | RM'000       | RM'000       | RM'000             | RM'000      |
| Trunet (Vietnam) Co., Ltd. | Joint venture               | Sales of goods                     | 1,101        | —            | —                  | 278         |
|                            |                             | Purchase of materials              | (329)        | —            | —                  | —           |
|                            |                             | Commission received/<br>receivable | 63           | 65           | 12                 | 21          |
|                            |                             | Dividend received                  | 703          | 319          | 319                | 440         |
| Premier De Muara Sdn. Bhd. | Fellow subsidiary           | Interest income                    | 422          | 423          | 106                | 105         |
| PRG Holdings               | Ultimate holding<br>company | Management fee paid                | (318)        | —            | —                  | —           |
|                            |                             | Interest expenses                  | <u>(191)</u> | <u>(128)</u> | <u>(42)</u>        | <u>(13)</u> |

The related party transactions described above were carried out based on negotiated terms and conditions agreed with related parties.

Apart from transactions with Trunet (Vietnam) Co., Ltd., other related party transactions described above will not recur after Listing.

**(b) Compensation of key management**

Remuneration of key management personnel, who are executive directors of the Company, during the Track Record Period were disclosed in Note 11 to the Historical Financial Information.

**31. CONTINGENT LIABILITIES**

As at 31 December 2015 and 2016 and 31 March 2017, the Group did not have any significant contingent liabilities.

**32. CAPITAL COMMITMENTS**

|                                                                                                      | As at 31 December |            | As at      |
|------------------------------------------------------------------------------------------------------|-------------------|------------|------------|
|                                                                                                      | 2015              | 2016       | 31 March   |
|                                                                                                      | RM'000            | RM'000     | 2017       |
|                                                                                                      |                   |            | RM'000     |
| Commitments for the acquisition of property, plant and equipment:<br>contracted for but not provided | <u>20</u>         | <u>742</u> | <u>163</u> |

## 33. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities:

|                                                  | As at 31 December |               | As at         |
|--------------------------------------------------|-------------------|---------------|---------------|
|                                                  | 2015              | 2016          | 31 March      |
|                                                  | RM'000            | RM'000        | RM'000        |
| <b>Financial assets</b>                          |                   |               |               |
| Loans and receivables                            |                   |               |               |
| Loan to a fellow subsidiary                      | 7,066             | 7,489         | 7,594         |
| Trade and other receivables                      | 18,455            | 20,792        | 19,423        |
| Amount due from a joint venture                  | 95                | 47            | 69            |
| Amounts due from fellow subsidiaries             | 3,413             | 7,819         | 9,041         |
| Amount due from the ultimate holding company     | 1,988             | 2,902         | 2,995         |
| Time deposits maturing over three months         | 28                | 127           | 29            |
| Cash and bank balances                           | 17,134            | 15,424        | 12,905        |
|                                                  | <u>48,179</u>     | <u>54,600</u> | <u>52,056</u> |
| <b>Financial liabilities</b>                     |                   |               |               |
| Financial liabilities measured at amortised cost |                   |               |               |
| Trade and other payables                         | 17,379            | 21,924        | 25,335        |
| Amounts due to fellow subsidiaries               | 953               | 994           | 1,000         |
| Amount due to the ultimate holding company       | 9,730             | 8,216         | 12,144        |
| Obligations under finance leases                 | 441               | 866           | 804           |
| Bank borrowings                                  | 11,411            | 11,631        | 11,258        |
|                                                  | <u>39,914</u>     | <u>43,631</u> | <u>50,541</u> |

Loan to a fellow subsidiary which is interest bearing and repayable not later than 31 December 2019 is stated at amortised cost.

The carrying values of the other financial assets included above approximate their fair values due to their short term nature.

The carrying values of the financial liabilities (including current portion of obligations under finance leases and bank borrowings) included above approximate their fair values due to their short term nature.

The fair values of the non-current portion of the obligations under finance leases and bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for borrowings with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for obligations under finance leases and bank borrowings as at 31 December 2015 and 2016 and 31 March 2017 was assessed to be insignificant. The carrying values of the non-current portion of obligations under finance leases and bank borrowings also approximate their fair values as at 31 December 2015 and 2016 and 31 March 2017.

## 34. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives are to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group is exposed mainly to foreign currency risk, interest rate risk, liquidity and cash flow risks and credit risk. Information on the management of the related exposures is detailed below:

**(a) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign exchange rate risk on sales and purchases that are denominated in a currency other than the functional currencies of the respective group companies. The currencies giving rise to this risk are primarily United States Dollar ("USD") and Euro.

The Group holds cash and bank balances denominated in foreign currencies for working capital purposes.

The Group does not hedge these exposures by purchasing or selling forward currency contracts at present. However, the management keeps this policy under review.

In respect of its overseas subsidiaries, the Group maintains a natural hedge, where possible, by borrowing in the currency of the country in which the subsidiary is located or by borrowing in currencies that match the future revenue stream to be generated from its subsidiaries.

The carrying amounts of the foreign currency denominated monetary assets and liabilities in net position as at 31 December 2015 and 2016 and 31 March 2017 are as follows:

|                             | <i>USD</i><br><i>RM'000</i> | <i>Euro</i><br><i>RM'000</i> |
|-----------------------------|-----------------------------|------------------------------|
| <b>31 December 2015</b>     |                             |                              |
| Trade and other receivables | 10,122                      | 167                          |
| Cash and bank balances      | 14,384                      | 58                           |
| Trade and other payables    | (2,195)                     | —                            |
| Bank borrowings             | (3,881)                     | —                            |
| Overall net exposure        | <u>18,430</u>               | <u>225</u>                   |
|                             | <i>USD</i><br><i>RM'000</i> | <i>Euro</i><br><i>RM'000</i> |
| <b>31 December 2016</b>     |                             |                              |
| Trade and other receivables | 11,654                      | 110                          |
| Cash and bank balances      | 11,275                      | 403                          |
| Trade and other payables    | (1,847)                     | (72)                         |
| Bank borrowings             | (4,867)                     | —                            |
| Overall net exposure        | <u>16,215</u>               | <u>441</u>                   |
|                             | <i>USD</i><br><i>RM'000</i> | <i>Euro</i><br><i>RM'000</i> |
| <b>31 March 2017</b>        |                             |                              |
| Trade and other receivables | 8,248                       | —                            |
| Cash and bank balances      | 7,874                       | 456                          |
| Trade and other payables    | (6,430)                     | —                            |
| Bank borrowings             | (685)                       | —                            |
| Overall net exposure        | <u>9,007</u>                | <u>456</u>                   |

The following table illustrates the approximate change in the Group's profit for the year and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of each of the following years and period:

|                         | Year ended 31 December |           | Three months ended |
|-------------------------|------------------------|-----------|--------------------|
|                         | 2015                   | 2016      | 31 March 2017      |
|                         | RM'000                 | RM'000    | RM'000             |
| USD appreciated by 10%  | 1,843                  | 1,622     | 901                |
| Euro appreciated by 10% | <u>23</u>              | <u>44</u> | <u>46</u>          |

The change in exchange rates do not affect the Group's other component of equity. The same percentage depreciation in the foreign currencies against the functional currency of the respective group companies would have the same magnitude on profit and retained profits but of opposite effect.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of each of the reporting period and had been applied to each of the group companies; exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date.

**(b) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's borrowings at variable interest rates are exposed to a risk of change in cash flows due to changes in interest rates.

The Group borrows for operations at variable interest rates under finance leases, term loans, trade financing facilities and bank overdraft. There is no formal hedging policy with respect to interest rate exposure.

The following details the interest rate profile of the Group's financial instruments at the end of each reporting period.

|                                                   | As at 31 December       |                |                         |                | As at 31 March          |                |
|---------------------------------------------------|-------------------------|----------------|-------------------------|----------------|-------------------------|----------------|
|                                                   | 2015                    |                | 2016                    |                | 2017                    |                |
|                                                   | Effective interest rate | RM'000         | Effective interest rate | RM'000         | Effective interest rate | RM'000         |
|                                                   | (%)                     |                | (%)                     |                | (%)                     |                |
| <b>Fixed rate</b>                                 |                         |                |                         |                |                         |                |
| Obligations under finance leases                  | 2.58–2.69               | 441            | 2.18–2.69               | 866            | 2.18–2.69               | 804            |
| Less: Deposits placed with financial institutions | 0.35–6.00               | <u>(2,419)</u> | 0.70–5.50               | <u>(2,566)</u> | 0.70–5.50               | <u>(1,592)</u> |
|                                                   |                         | <u>(1,978)</u> |                         | <u>(1,700)</u> |                         | <u>(788)</u>   |

|                                                                      | As at 31 December                    |               |                                      |               | As at 31 March                       |               |
|----------------------------------------------------------------------|--------------------------------------|---------------|--------------------------------------|---------------|--------------------------------------|---------------|
|                                                                      | 2015                                 |               | 2016                                 |               | 2017                                 |               |
|                                                                      | Effective<br>interest<br>rate<br>(%) | RM'000        | Effective<br>interest<br>rate<br>(%) | RM'000        | Effective<br>interest<br>rate<br>(%) | RM'000        |
| <b>Floating rate</b>                                                 |                                      |               |                                      |               |                                      |               |
| Overdraft                                                            | 8.60                                 | 648           | 8.45                                 | 660           | 8.70                                 | 209           |
| Bills payable                                                        | 2.50–8.50                            | 8,462         | 2.50–6.80                            | 10,141        | 2.74–8.45                            | 11,522        |
| Term loans                                                           | 4.00–5.35                            | 10,763        | 3.25–5.35                            | 10,971        | 3.25–5.22                            | 11,049        |
|                                                                      |                                      | <u>19,873</u> |                                      | <u>21,772</u> |                                      | <u>22,780</u> |
| Total net borrowings                                                 |                                      | <u>17,895</u> |                                      | <u>20,072</u> |                                      | <u>21,992</u> |
| Net fixed rate borrowings as a<br>percentage of total net borrowings |                                      | <u>N/A</u>    |                                      | <u>N/A</u>    |                                      | <u>N/A</u>    |

*Sensitivity analysis for interest rate risk*

The following table illustrates the approximate change in the Group's profit for the year and retained profits in response to reasonably possible changes in interest rates at the end of each of the following years and period with all other variables held constant:

|                  | Year ended 31 December |           | Three<br>months<br>ended |
|------------------|------------------------|-----------|--------------------------|
|                  | 2015                   | 2016      | 31 March                 |
|                  | RM'000                 | RM'000    | RM'000                   |
| Increase by 0.5% | (85)                   | (90)      | (110)                    |
| Decrease by 0.5% | <u>85</u>              | <u>90</u> | <u>110</u>               |

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017.

**(c) Liquidity risk**

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. The liquidity risk management strategy adopted by the Group is to measure and forecast its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the Group's activities.

*Analysis of financial instruments by remaining contractual maturities*

The table below summarises the maturity profile of the Group's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations (including interest payments computed using contractual rates, or if floating, based on rates current at the reporting date).

|                                               | Carrying<br>amount<br><i>RM'000</i> | Total<br>contractual<br>undiscounted<br>cash flow<br><i>RM'000</i> | Within 1 year<br>or repayable<br>on demand<br><i>RM'000</i> | More than<br>1 year but<br>less than<br>2 years<br><i>RM'000</i> | More than<br>2 years but<br>less than<br>5 years<br><i>RM'000</i> | More than<br>5 years<br><i>RM'000</i> |
|-----------------------------------------------|-------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------------|------------------------------------------------------------------|-------------------------------------------------------------------|---------------------------------------|
| <b>31 December 2015</b>                       |                                     |                                                                    |                                                             |                                                                  |                                                                   |                                       |
| Trade and other payables                      | 17,379                              | 17,379                                                             | 17,379                                                      | —                                                                | —                                                                 | —                                     |
| Amounts due to fellow<br>subsidiaries         | 953                                 | 953                                                                | 953                                                         | —                                                                | —                                                                 | —                                     |
| Amount due to the ultimate<br>holding company | 9,730                               | 9,730                                                              | 9,730                                                       | —                                                                | —                                                                 | —                                     |
| Obligations under finance<br>leases           | 441                                 | 486                                                                | 122                                                         | 122                                                              | 242                                                               | —                                     |
| Bank borrowings                               | 11,411                              | 18,919                                                             | 1,717                                                       | 837                                                              | 1,668                                                             | 14,697                                |
|                                               | <u>39,914</u>                       | <u>47,467</u>                                                      | <u>29,901</u>                                               | <u>959</u>                                                       | <u>1,910</u>                                                      | <u>14,697</u>                         |
|                                               | Carrying<br>amount<br><i>RM'000</i> | Total<br>contractual<br>undiscounted<br>cash flow<br><i>RM'000</i> | Within 1 year<br>or repayable<br>on demand<br><i>RM'000</i> | More than<br>1 year but<br>less than<br>2 years<br><i>RM'000</i> | More than<br>2 years but<br>less than<br>5 years<br><i>RM'000</i> | More than<br>5 years<br><i>RM'000</i> |
| <b>31 December 2016</b>                       |                                     |                                                                    |                                                             |                                                                  |                                                                   |                                       |
| Trade and other payables                      | 21,924                              | 21,924                                                             | 21,924                                                      | —                                                                | —                                                                 | —                                     |
| Amounts due to fellow<br>subsidiaries         | 994                                 | 994                                                                | 994                                                         | —                                                                | —                                                                 | —                                     |
| Amount due to the ultimate<br>holding company | 8,216                               | 8,216                                                              | 8,216                                                       | —                                                                | —                                                                 | —                                     |
| Obligations under finance<br>leases           | 866                                 | 936                                                                | 292                                                         | 292                                                              | 352                                                               | —                                     |
| Bank borrowings                               | 11,631                              | 18,482                                                             | 1,977                                                       | 762                                                              | 2,286                                                             | 13,457                                |
|                                               | <u>43,631</u>                       | <u>50,552</u>                                                      | <u>33,403</u>                                               | <u>1,054</u>                                                     | <u>2,638</u>                                                      | <u>13,457</u>                         |
|                                               | Carrying<br>amount<br><i>RM'000</i> | Total<br>contractual<br>undiscounted<br>cash flow<br><i>RM'000</i> | Within 1 year<br>or repayable<br>on demand<br><i>RM'000</i> | More than<br>1 year but<br>less than<br>2 years<br><i>RM'000</i> | More than<br>2 years but<br>less than<br>5 years<br><i>RM'000</i> | More than<br>5 years<br><i>RM'000</i> |
| <b>31 March 2017</b>                          |                                     |                                                                    |                                                             |                                                                  |                                                                   |                                       |
| Trade and other payables                      | 25,335                              | 25,335                                                             | 25,335                                                      | —                                                                | —                                                                 | —                                     |
| Amounts due to fellow<br>subsidiaries         | 1,000                               | 1,000                                                              | 1,000                                                       | —                                                                | —                                                                 | —                                     |
| Amount due to the ultimate<br>holding company | 12,144                              | 12,144                                                             | 12,144                                                      | —                                                                | —                                                                 | —                                     |
| Obligations under finance<br>leases           | 804                                 | 864                                                                | 292                                                         | 292                                                              | 280                                                               | —                                     |
| Bank borrowings                               | 11,258                              | 17,984                                                             | 1,609                                                       | 823                                                              | 2,286                                                             | 13,266                                |
|                                               | <u>50,541</u>                       | <u>57,327</u>                                                      | <u>40,380</u>                                               | <u>1,115</u>                                                     | <u>2,566</u>                                                      | <u>13,266</u>                         |



**(d) Credit risk**

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount and the Group regularly follows up on receivables outstanding beyond their stipulated time threshold for payments. The Group does not require collateral in respect of financial assets.

*Exposure to credit risk*

At the end of each reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the combined statements of financial position.

At the end of each reporting period, the Group has a certain concentration of credit risk as 9% (31 December 2016: 13% and 31 March 2017: 17%) and 40% (31 December 2016: 51% and 31 March 2017: 42%) of the Group's total trade receivables was due from the Group's top trade receivable and the top five trade receivables respectively.

**35. CAPITAL MANAGEMENT**

The primary objective of the Group's capital management is to ensure that entities of the Group would be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance, and also to ensure there is sufficient capital to fund its future development plans. The overall strategy of the Group remains unchanged during the Track Record Period.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made to the objectives, policies or processes during the Track Record Period.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group regularly reviews the gearing ratio to ensure they are at acceptable levels and within industry norms. Net debt is calculated as total borrowings less time deposits maturing over three months and cash and bank balances. Capital represents equity attributable to the owners of the Company. A detailed calculation of the net debt is shown below:

|                                                | <b>As at 31 December</b> |                 | <b>As at</b>    |
|------------------------------------------------|--------------------------|-----------------|-----------------|
|                                                | <b>2015</b>              | <b>2016</b>     | <b>31 March</b> |
|                                                | <i>RM'000</i>            | <i>RM'000</i>   | <i>RM'000</i>   |
| Borrowings                                     | 11,852                   | 12,497          | 12,062          |
| Less: Time deposits maturing over three months | (28)                     | (127)           | (29)            |
| Cash and bank balances                         | <u>(17,134)</u>          | <u>(15,424)</u> | <u>(12,905)</u> |
| Net debt                                       | <u>N/A</u>               | <u>N/A</u>      | <u>N/A</u>      |
| Total equity                                   | <u>71,099</u>            | <u>75,994</u>   | <u>68,771</u>   |
| Gearing ratio                                  | <u>N/A</u>               | <u>N/A</u>      | <u>N/A</u>      |

**36. SUPPLEMENTARY NOTES TO COMBINED STATEMENTS OF CASH FLOWS****Major Non-cash Transactions**

- (a) During the year ended 31 December 2015, the Group reclassified an advance to a fellow subsidiary to loan to a fellow subsidiary on the combined statement of financial position upon signing of the loan agreement with the fellow subsidiary relating to such advance.
- (b) During the year ended 31 December 2016, capital contribution by PRG Holdings to FVSC (VN) as reflected in the combined statement of changes in equity was off-set by the final dividend declared by FVSC (VN) to PRG Holdings of RM7,317,000 as set out in Note 28 to the Historical Financial Information.

- (c) During the three months ended 31 March 2017, FVSC (VN) declared dividend of RM4,016,000 to PRG Holdings which remained unpaid as at 31 March 2017.

### Reconciliation

#### *Reconciliation of liabilities arising from financing activities*

|                                            | As at<br>1 January<br>2015<br>RM'000 | Cash flows<br>RM'000 | Non-cash changes<br>Foreign<br>exchange<br>movement<br>RM'000 | Acquisition<br>RM'000          | As at<br>31 December<br>2015<br>RM'000 |
|--------------------------------------------|--------------------------------------|----------------------|---------------------------------------------------------------|--------------------------------|----------------------------------------|
| Amounts due to fellow subsidiaries         | 5,427                                | (4,474)              | —                                                             | —                              | 953                                    |
| Amount due to the ultimate holding company | 14,747                               | (5,017)              | —                                                             | —                              | 9,730                                  |
| Obligations under finance leases           | 349                                  | (118)                | —                                                             | 210                            | 441                                    |
| Bank borrowings (excluding bank overdraft) | 11,188                               | (455)                | 30                                                            | —                              | 10,763                                 |
|                                            | <u>31,711</u>                        | <u>(10,064)</u>      | <u>30</u>                                                     | <u>210</u>                     | <u>21,887</u>                          |
|                                            | As at<br>1 January<br>2016<br>RM'000 | Cash flows<br>RM'000 | Non-cash changes<br>Foreign<br>exchange<br>movement<br>RM'000 | Acquisition<br>RM'000          | As at<br>31 December<br>2016<br>RM'000 |
| Amounts due to fellow subsidiaries         | 953                                  | 41                   | —                                                             | —                              | 994                                    |
| Amount due to the ultimate holding company | 9,730                                | (1,642)              | 128                                                           | —                              | 8,216                                  |
| Obligations under finance leases           | 441                                  | (153)                | —                                                             | 578                            | 866                                    |
| Bank borrowings (excluding bank overdraft) | 10,763                               | 180                  | 28                                                            | —                              | 10,971                                 |
|                                            | <u>21,887</u>                        | <u>(1,574)</u>       | <u>156</u>                                                    | <u>578</u>                     | <u>21,047</u>                          |
|                                            | As at<br>1 January<br>2017<br>RM'000 | Cash flows<br>RM'000 | Non-cash changes<br>Foreign<br>exchange<br>movement<br>RM'000 | Dividend<br>declared<br>RM'000 | As at<br>31 March<br>2017<br>RM'000    |
| Amounts due to fellow subsidiaries         | 994                                  | 6                    | —                                                             | —                              | 1,000                                  |
| Amount due to the ultimate holding company | 8,216                                | (52)                 | (36)                                                          | 4,016                          | 12,144                                 |
| Obligations under finance leases           | 866                                  | (63)                 | 1                                                             | —                              | 804                                    |
| Bank borrowings (excluding bank overdraft) | 10,971                               | 84                   | (6)                                                           | —                              | 11,049                                 |
|                                            | <u>21,047</u>                        | <u>(25)</u>          | <u>(41)</u>                                                   | <u>4,016</u>                   | <u>24,997</u>                          |

**37. EVENTS AFTER THE REPORTING DATE**

On 14 September 2017, the Group declared pre-Listing dividend of RM5,000,000. The dividend was settled before Listing.

Upon completion of the reduction of the Company's effective interest in FCV (VN) from 82.01% to 45.06% with effect from 14 September 2017, FCV (VN) became an associate of the Company. Further details are set out in "History, Reorganisation and Corporate Structure — Significant Shareholding Changes in Members of our Group during the Track Record Period and up to the Latest Practicable Date — FCV (VN)" in this Prospectus.

On 20 September 2017, written resolutions of the sole shareholder of the Company were passed to approve the matters set out in "Statutory and General Information — Further Information about our Company and Other Members of our Group — 3. Resolutions in writing of the sole Shareholder passed on 20 September 2017" in Appendix V to this Prospectus.

Save as aforesaid and as disclosed in Notes 20, 24 and 26 to the Historical Financial Information, no other significant events took place subsequent to 31 March 2017.

**38. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 March 2017.

*The information set forth in this appendix does not form part of the Accountant's Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" in this prospectus and the Accountant's Report.*

**(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP**

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group prepared in accordance with paragraph 7.31 of the GEM Listing Rules and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purposes only, and is set out herein to provide the prospective investors with further illustrative financial information about how the Share Offer might have affected the combined net tangible assets of the Group attributable to owners of the Company after the completion of the Share Offer as if the Share Offer had taken place on 31 March 2017. Because of its hypothetical nature, this unaudited pro forma statement of adjusted combined net tangible assets of the Group may not give a true picture of the combined net tangible assets of the Group attributable to owners of the Company had the Share Offer been completed on 31 March 2017, or at any future dates.

|                    | Combined net<br>tangible assets<br>of the Group<br>attributable<br>to owners of<br>the Company<br>as at<br>31 March<br>2017<br>RM'000<br>(Note 1) | Estimated net<br>proceeds from<br>the Share<br>Offer<br>RM'000<br>(Note 2) | Unaudited<br>pro forma<br>adjusted<br>combined net<br>tangible assets<br>of the Group<br>attributable<br>to owners of<br>the Company<br>RM'000 | Unaudited pro forma adjusted<br>combined net tangible assets<br>per Share |                  |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|------------------|
|                    |                                                                                                                                                   |                                                                            |                                                                                                                                                | RM<br>(Note 3)                                                            | HK\$<br>(Note 5) |
| Based on the Offer |                                                                                                                                                   |                                                                            |                                                                                                                                                |                                                                           |                  |
| Price of HK\$0.50  |                                                                                                                                                   |                                                                            |                                                                                                                                                |                                                                           |                  |
| per Offer Share    | <u>67,499</u>                                                                                                                                     | <u>23,833</u>                                                              | <u>91,332</u>                                                                                                                                  | <u>0.18</u>                                                               | <u>0.33</u>      |

*Notes:*

1. The combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2017 are based on audited combined net assets of the Group attributable to owners of the Company as at 31 March 2017 of RM68,771,000 after deducting intangible assets of RM1,272,000 as shown in the Accountant's Report.
2. The estimated net proceeds from the Share Offer are based on 126,000,000 Offer Shares and the Offer Price of HK\$0.50 per Offer Share, after deduction of the underwriting fees and related expenses payable by the Company which have not been reflected in the combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2017.

3. The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 504,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue. It does not take into account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the exercise of options which may be granted under the Share Option Scheme or any Share which may be allotted, issued or repurchased by the Company pursuant to the general mandates for allotment and issue or repurchase of Shares.
4. No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2017, including the dividend of RM5,000,000 declared by the Group on 14 September 2017 and settled before Listing. Had such dividend been taken into account, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company would have been RM86,332,000 and the unaudited pro forma adjusted combined net tangible assets per Share would have been RM0.17 and HK\$0.31.
5. For the purpose of the unaudited pro forma adjusted net tangible assets, the balance stated in Malaysian Ringgit is converted into Hong Kong dollars and vice versa at a rate of RM1.00 to HK\$1.84. No representation is made that amounts in Malaysian Ringgit have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at all.

**(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report, prepared for inclusion in this prospectus, received from the reporting accountant of the Company, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



Tel : +852 2218 8288  
Fax: +852 2815 2239  
www.bdo.com.hk

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF FURNIWEB HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited 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 unaudited pro forma financial information consists of the unaudited pro forma statement of combined net tangible assets of the Group as at 31 March 2017 and related notes as set out in section A on pages II-1 to II-2 of Appendix II of the Company's prospectus dated 29 September 2017 (the "Prospectus") in connection with the proposed placing and public offer of the shares of the Company (the "Share Offer"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II of the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Share Offer on the Group's combined financial position as at 31 March 2017 as if the Share Offer had taken place at 31 March 2017. As part of this process, information about the Group's combined financial position as at 31 March 2017 has been extracted by the directors of the Company from the Group's historical financial information for the three months ended 31 March 2017, on which an accountant's report set out in Appendix I of the Prospectus has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements 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 behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA 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 7.31(7) of the GEM Rules, on the unaudited pro forma financial information 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 unaudited pro forma financial information 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 plans and performs procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 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 unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or a review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or 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 Share Offer as at 31 March 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information 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 unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant’s judgement, having regard to the reporting accountant’s understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma 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:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company 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 unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

**BDO Limited**

*Certified Public Accountants*

Hong Kong

29 September 2017



*The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this prospectus received from Greater China Appraisal Limited, an independent valuer, in connection with their valuation as at 31 July 2017 of the real property interests held by Furniweb Holdings Limited and its subsidiaries.*

**GREATER CHINA APPRAISAL LIMITED**  
**漢 華 評 值 有 限 公 司**

Room 2703, 27th Floor,  
Shui On Centre,  
6–8 Harbour Road,  
Wanchai, Hong Kong

29 September 2017

The Board of Directors  
Furniweb Holdings Limited  
Lot 1883, Jalan KPB9  
Kg. Bharu Balakong  
43300 Seri Kembangan  
Selangor  
Malaysia

Dear Sirs,

In accordance with your instructions to value the real property interests held by Furniweb Holdings Limited (referred to as the “Company”) and its subsidiaries (together referred to as the “Group”) in Malaysia and the Socialist Republic of Vietnam (“Vietnam”), details of which are set out in the enclosed valuation certificates (such real property interests are hereinafter referred to as the “Real Properties”), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Real Properties as at 31 July 2017 (referred to as the “valuation date”).

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of the Real Properties and the limiting conditions.

**I. BASIS OF VALUATION**

The valuation is our opinion of the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

**II. VALUATION METHODOLOGY**

For real property no. 5, we have valued it by the comparison method where comparison based on prices realised or market prices of comparable real properties is made. Comparable real properties of similar character and location are analysed and carefully weighed against all the respective advantages

and disadvantages of the real properties. Adjustments in the prices of the comparable real properties are then made to account for the identified differences between such real properties and the real properties in the relevant factors.

For other real properties, due to the nature of buildings and structures constructed, there are no readily identifiable market comparables to them. We have applied the cost method in valuing the real properties on the basis of their depreciated replacement costs.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacing the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The reported market value only applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed. The depreciated replacement cost of the real property interest is subject to adequate potential profitability of the concerned business.

### **III. ASSUMPTIONS**

Our valuation has been made on the assumption that the owner sells the real property interests on the open market in their existing states without the benefit of any deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the real property interests.

For the real properties which are held under long-term government leases/land use rights, we have assumed that the owner of the real properties has free and uninterrupted rights to use, transfer or lease the real properties for the whole of the unexpired term of the respective government leases/land use rights. In our valuation, we have assumed that these real properties can be freely disposed of, transferred and leased to third parties on the open market without any additional payment to these relevant government authorities.

All applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report.

No environment impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licences, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

Other specific assumptions in relation to the Real Properties, if any, have been stated out in the footnote of the valuation certificates.

### **IV. TITLESHP INVESTIGATION**

For the real property interests in Group I, we have caused searches made at the Pejabat Daerah Tanah Hulu Langat in Bandar Baru Bangi in Malaysia. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which do not appear on the copy handed to us.

For the real property interests in Group II, we have been provided with copies of title documents. However, no investigations have been made for the legal title or any liabilities attached to the real properties.

In the course of our valuation, we have relied upon the legal opinion given by the Company's Malaysian legal advisers — Peter Ling & van Geyzel in relation to the legal title to the real properties in Malaysia and the legal opinion by the Company's Vietnamese legal advisers — RHTLaw Taylor Wessing Vietnam in relation to the legal title of the real properties in Vietnam. All legal documents disclosed in this report, if any, are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the real properties set out in this report.

## **V. LIMITING CONDITIONS**

We have inspected the exterior and, where possible, the interior of the Real Properties. However, no structural survey has been made and we are therefore unable to report as to whether the Real Properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the land or building areas in respect of the Real Properties but have assumed that the areas shown on the relevant documents provided to us are correct. Based on our experience of valuation of similar real properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us by it on such matters as, as relevant, planning approvals, statutory notices, easements, tenure, occupation, lettings, rentals and floor areas and in the identification of the Real Properties. We have had no reason to doubt the truth and accuracy of the information provided by the Group. We were also advised by the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No soil investigations have been carried out to determine the suitability of the ground conditions or the services for any developments thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Real Properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the real property interests are free of encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

For the real property interests in Group II, since they are located in a relatively under-developed market, those assumptions are often based on imperfect market evidence. A range of values may be attributable to the real properties depending upon the assumptions made. While we have exercised our professional judgments in arriving at the values, report readers are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report.

**VI. OPINION OF VALUE**

Our opinions of the market value of the Real Properties are set out in the attached summary of values and the valuation certificates.

**VII. REMARKS**

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

In valuing the real property interests, we have complied with the requirements contained in the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Site inspections of the Real Properties were conducted in the period between October and November 2016 by Candice Y. Q. Li (BSc) and Jeff W.P. Liu (MRICS, MHKIS). The Real Properties were maintained in a reasonable condition commensurate with their ages and uses and equipped with normal building services.

For the real property interests in Malaysia and Vietnam, the monetary amounts herein are denominated in the currency of Malaysian Ringgit (refer to as “RM”), Vietnamese Dong (referred to as “VND”) and US dollar (referred to as “USD”) respectively. The exchange rate adopted in our valuation is approximately USD1: RM4.2780 which was approximately the prevailing exchange rate at the valuation date.

We enclose herewith a summary of values and our valuation certificates.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,  
For and on behalf of  
**GREATER CHINA APPRAISAL LIMITED**  
**Mr. Gary Man**  
*Registered Professional Surveyor (G.P.)*  
*FRICS, FHKIS, MCIREA*  
*Director*

*Note:* Mr. Gary Man is a Chartered Surveyor who has more than 29 years of valuation experience in countries such as The PRC, Hong Kong, Singapore, Vietnam, Philippines and the Asia Pacific region.

## SUMMARY OF VALUES

| No. | Real Property | Market value in<br>existing state as at<br>31 July 2017<br>(RM) |
|-----|---------------|-----------------------------------------------------------------|
|-----|---------------|-----------------------------------------------------------------|

**Group I — Real property interests held and occupied by the Group in Malaysia**

|    |                                                                                                                    |            |
|----|--------------------------------------------------------------------------------------------------------------------|------------|
| 1. | H.S. (M) 967, Lot P.T. 208, Mukim of Cheras, District of Hulu Langat,<br>State of Selangor Darul Ehsan, Malaysia   | 8,370,000  |
| 2. | H.S. (M) 943, Lot P.T. 7179, Mukim of Cheras, District of Hulu Langat,<br>State of Selangor Darul Ehsan, Malaysia  | 12,835,000 |
| 3. | H.S. (M) 1594, Lot P.T. 2374, Mukim of Cheras, District of Hulu Langat,<br>State of Selangor Darul Ehsan, Malaysia | 19,500,000 |
| 4. | GM 8265, Lot 87591, Mukim and District of Klang,<br>State of Selangor Darul Ehsan, Malaysia                        | 7,800,000  |
| 5. | H.S. (D) 37374, Lot P.T. 4886, Mukim and District of Klang,<br>State of Selangor Darul Ehsan, Malaysia             | 170,000    |

**Sub-total: 48,675,000**

| No. | Real Property | Market value in<br>existing state as at<br>31 July 2017<br>(USD) |
|-----|---------------|------------------------------------------------------------------|
|-----|---------------|------------------------------------------------------------------|

**Group II — Real property interests held and occupied by the Group in Vietnam**

|    |                                                                                                                    |           |
|----|--------------------------------------------------------------------------------------------------------------------|-----------|
| 6. | No. 18 Street No. 3A, Bien Hoa 2 Industrial Zone, Long Binh Tan Ward,<br>Bien Hoa City, Dong Nai Province, Vietnam | 840,000   |
| 7. | Street No. 8 Nhon Trach I Industrial Park, Phuoc Thien Commune,<br>Nhon Trach District, Dong Nai Province, Vietnam | 1,660,000 |
| 8. | No. 2 Nhon Trach I Industrial Park, Phuoc Thien Commune,<br>Nhon Trach District, Dong Nai Province, Vietnam        | 935,000   |

**Sub-total: 3,435,000**

## VALUATION CERTIFICATES

## Group I — Real property interests held and occupied by the Group in Malaysia

| No.                | Real Property                                                                                                 | Description and Tenure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Particulars of Occupancy | Market value in existing state as at 31 July 2017 (RM) |                    |        |            |    |            |     |               |       |       |        |                                                                                                                     |                                                                                     |
|--------------------|---------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------------------------------------|--------------------|--------|------------|----|------------|-----|---------------|-------|-------|--------|---------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| 1.                 | H.S. (M) 967, Lot P.T. 208, Mukim of Cheras, District of Hulu Langat, State of Selangor Darul Ehsan, Malaysia | <p>The real property is located at Kawasan Perindustrian Kampung Baru Balakong, situated about 25 kilometres south-west of Kuala Lumpur city centre. Balakong is a popular industrial location for small and medium industries. The locality is mainly surrounded with purpose-built industrial buildings as well as vacant industrial land.</p> <p>The real property comprises a parcel of land with a provisional land area of approximately 4,822 square metres (equivalent to 51,905 square feet) and a 2-storey detached office cum single-storey factory building and ancillary facilities, including guard house, pump house and car park shed erected thereon. The buildings were completed in about 1996.</p> <p>The buildings of the real property have a total gross floor area of approximately 30,188 square feet and the breakdown is listed as follow:</p> <table><tr><th>Usage</th><th>Gross Floor Area (sq.ft.)</th></tr><tr><td>Office cum factory</td><td>28,120</td></tr><tr><td>Guardhouse</td><td>48</td></tr><tr><td>Pump House</td><td>100</td></tr><tr><td>Car park shed</td><td>1,920</td></tr><tr><td>Total</td><td>30,188</td></tr></table> <p>The land of the real property is held under a land lease for a term of 60 years expiring on 9 July 2041. The land lease has been validly extended for 34 years and expiring on 11 February 2075.</p> | Usage                    | Gross Floor Area (sq.ft.)                              | Office cum factory | 28,120 | Guardhouse | 48 | Pump House | 100 | Car park shed | 1,920 | Total | 30,188 | Upon our site inspection, the real property is occupied by the Group for industrial, office and ancillary purposes. | 8,370,000 (Malaysian Ringgit Eight Million Three Hundred and Seventy Thousand Only) |
| Usage              | Gross Floor Area (sq.ft.)                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                          |                                                        |                    |        |            |    |            |     |               |       |       |        |                                                                                                                     |                                                                                     |
| Office cum factory | 28,120                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                          |                                                        |                    |        |            |    |            |     |               |       |       |        |                                                                                                                     |                                                                                     |
| Guardhouse         | 48                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                          |                                                        |                    |        |            |    |            |     |               |       |       |        |                                                                                                                     |                                                                                     |
| Pump House         | 100                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                          |                                                        |                    |        |            |    |            |     |               |       |       |        |                                                                                                                     |                                                                                     |
| Car park shed      | 1,920                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                          |                                                        |                    |        |            |    |            |     |               |       |       |        |                                                                                                                     |                                                                                     |
| Total              | 30,188                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                          |                                                        |                    |        |            |    |            |     |               |       |       |        |                                                                                                                     |                                                                                     |

## Notes:

- (i) Pursuant to a land title certificate, “Catatan Carian Persendirian”, the leasehold interest of the subject land Lot P.T. 208, H.S. (M) 967 with a site area of 4,822 square metres (equivalent to 51,905 square feet) is held by Furniweb Manufacturing Sdn. Bhd. (“FMSB (MY)”, a wholly-owned subsidiary of the Company) for a term expiring on 9 July 2041 for industrial use.
- (ii) According to a tenancy agreement entered into between FMSB (MY) and Furniweb Safety Webbing Sdn. Bhd. (“FSWSB (MY)”, a wholly-owned subsidiary of the Company) dated 31 December 2016, the real property is leased to FSWSB (MY) for a term expiring on 31 December 2019 at a monthly rent of RM64,000.

- (iii) We have been provided with a legal opinion regarding the real property by the Company's Malaysian legal advisers, which contains, inter alia, the following:
- a. FMSB (MY) is the registered owner of the land;
  - b. This land is to be used for light industrial only;
  - c. The real property is subjected to encumbrances as follows:
    - i. Charged to Hong Leong Bank (formerly known as EON Bank Berhad) on 3 June 1992 vide presentation no.: (a) 5438/1992; (b) 5439/1992; and (c) 5440/1992;
    - ii. Charged to Hong Leong Bank (formerly known as EON Bank Berhad) on 15 November 1994 vide presentation no.: 10158/1994;
    - iii. Charged to Hong Leong Bank (formerly known as EON Bank Berhad) on 15 November 1994 vide presentation no.: 8346/2005;
    - iv. Charged to Hong Leong Bank (formerly known as EON Bank Berhad) on 7 July 2006 vide presentation no.: 6650/2006;
  - d. The land lease has been validly extended and expiring on 11 February 2075. There are no legal impediments to the issuance of the new issue document title of the real property;
  - e. FMSB (MY) has been granted the certificate of fitness for the factory and office building erected on the land by Majilis Daerah Hulu Langat, Kajang, Selangor on 5 January 1996;
  - f. FMSB (MY) is the legal owner of the buildings;
  - g. The real property can be freely transferred, mortgaged and leased on the open market;
  - h. The tenancy agreement is valid and subsisting.

| No. | Real Property                                                                                                  | Description and Tenure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Particulars of Occupancy                                                                     | Market value in existing state as at 31 July 2017 (RM)                                       |
|-----|----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| 2.  | H.S. (M) 943, Lot P.T. 7179, Mukim of Cheras, District of Hulu Langat, State of Selangor Darul Ehsan, Malaysia | <p>The real property is located at Kawasan Perindustrian Kampung Baru Balakong, situated about 25 kilometres south-west of Kuala Lumpur city centre. Balakong is a popular industrial location for small and medium industries. The locality is mainly surrounded with purpose-built industrial buildings as well as vacant industrial land.</p> <p>The real property comprises a parcel of land with a site area of approximately 5,226 square metres (equivalent to 56,253 square feet) and a two-storey detached factory erected thereon. The building was completed in about 2007.</p> <p>The building of the real property has a total gross floor area of approximately 53,888 square feet.</p> <p>The land of the real property is held under a land lease for a term of 60 years expiring on 2 September 2040. The land lease has been validly extended for 35 years and expiring on 11 February 2075.</p> | Upon our site inspection, the real property is occupied by the Group for industrial purpose. | 12,835,000<br>(Malaysian Ringgit Twelve Million Eight Hundred and Thirty Five Thousand Only) |

*Notes:*

- (i) Pursuant to a land title certificate, “Catatan Carian Persendirian”, the leasehold interest of the subject land Lot P.T. 7179, H.S. (M) 943 with a site area of 5,226 square metres (equivalent to 56,253 square feet) is held by Syarikat Sri Kepong Sdn. Bhd. (“SSKSB (MY)”, a wholly-owned subsidiary of the Company) for a term expiring on 2 September 2040 for industrial use.
- (ii) According to a tenancy agreement entered into between SSKSB (MY) and FMSB (MY) dated 31 December 2015, the land of the real property is leased to FMSB (MY) for a term expiring on 31 December 2018 at a monthly rent of RM1,500.
- (iii) We have been provided with a legal opinion regarding the real property by the Company’s Malaysian legal advisers, which contains, inter alia, the following:
  - a. SSKSB (MY) is the registered owner of the land;
  - b. This land is to be used for light industrial only;
  - c. The real property is subjected to encumbrances as follows:
    - i. Charged to Hong Leong Bank (formerly known as EON Bank Berhad) on 3 June 1992 vide presentation no.: (a) 5434/1992 and (b) 5435/1992;
    - ii. Charged to Hong Leong Bank (formerly known as EON Bank Berhad) on 15 November 1994 vide presentation no.: 10159/1994;
    - iii. Charged to Hong Leong Bank (formerly known as EON Bank Berhad) on 15 November 1994 vide presentation no.: 8345/2005;
    - iv. Charged to Hong Leong Bank (formerly known as EON Bank Berhad) on 17 August 2005 vide presentation no.: 8436/2005;



- v. Charged to Hong Leong Bank (formerly known as EON Bank Berhad) on 7 July 2006 vide presentation no.: 6651/2005;
- d. The land lease has been validly extended and expiring on 11 February 2075. There are no legal impediments to the issuance of the new issue document title of the real property;
- e. FMSB (MY) has been granted the certificate of fitness for the factory building erected on the land by Majilis Daerah Hulu Langat, Kajang, Selangor on 4 September 2007;
- f. FMSB (MY) is the owner of the building;
- g. The real property can be freely transferred, mortgaged and leased on the open market;
- h. The tenancy agreement is valid and subsisting

| No.               | Real Property                                                                                                   | Description and Tenure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Particulars of Occupancy | Market value in existing state as at 31 July 2017 (RM) |        |        |         |        |            |     |                   |       |                |     |       |        |                                                                                                                    |                                                                                       |
|-------------------|-----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------------------------------------|--------|--------|---------|--------|------------|-----|-------------------|-------|----------------|-----|-------|--------|--------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| 3.                | H.S. (M) 1594, Lot P.T. 2374, Mukim of Cheras, District of Hulu Langat, State of Selangor Darul Ehsan, Malaysia | <p>The real property is located at Kawasan Perindustrian Kampung Baru Balakong, situated about 25 kilometres south-west of Kuala Lumpur city centre. Balakong is a popular industrial location for small and medium industries. The locality is mainly surrounded with purpose-built industrial buildings as well as vacant industrial land.</p> <p>The real property comprises a parcel of land with a site area of approximately 8,094 square metres (equivalent to 87,123 square feet) and a three-storey office building, a two-storey detached factory and ancillary facilities, including guard house, car park sheds and refuse chamber erected thereon. The buildings were completed in about 2009.</p> <p>The buildings of the real property have a total gross floor area of approximately 79,681 square feet. Detail breakdown is shown as follows:</p> <table><thead><tr><th>Usage</th><th>Gross Floor Area (sq.ft.)</th></tr></thead><tbody><tr><td>Office</td><td>18,307</td></tr><tr><td>Factory</td><td>57,323</td></tr><tr><td>Guardhouse</td><td>147</td></tr><tr><td>Car park shed 1&amp;2</td><td>3,745</td></tr><tr><td>Refuse chamber</td><td>159</td></tr><tr><td>Total</td><td>79,681</td></tr></tbody></table> <p>The land of the real property is held under a land lease for a term of 99 years expiring on 3 July 2083.</p> | Usage                    | Gross Floor Area (sq.ft.)                              | Office | 18,307 | Factory | 57,323 | Guardhouse | 147 | Car park shed 1&2 | 3,745 | Refuse chamber | 159 | Total | 79,681 | Upon our site inspection, the real property is occupied by the Group for industrial, office and ancillary purpose. | 19,500,000<br><br>(Malaysian Ringgit Nineteen Million and Five Hundred Thousand Only) |
| Usage             | Gross Floor Area (sq.ft.)                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                          |                                                        |        |        |         |        |            |     |                   |       |                |     |       |        |                                                                                                                    |                                                                                       |
| Office            | 18,307                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                          |                                                        |        |        |         |        |            |     |                   |       |                |     |       |        |                                                                                                                    |                                                                                       |
| Factory           | 57,323                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                          |                                                        |        |        |         |        |            |     |                   |       |                |     |       |        |                                                                                                                    |                                                                                       |
| Guardhouse        | 147                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                          |                                                        |        |        |         |        |            |     |                   |       |                |     |       |        |                                                                                                                    |                                                                                       |
| Car park shed 1&2 | 3,745                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                          |                                                        |        |        |         |        |            |     |                   |       |                |     |       |        |                                                                                                                    |                                                                                       |
| Refuse chamber    | 159                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                          |                                                        |        |        |         |        |            |     |                   |       |                |     |       |        |                                                                                                                    |                                                                                       |
| Total             | 79,681                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                          |                                                        |        |        |         |        |            |     |                   |       |                |     |       |        |                                                                                                                    |                                                                                       |

*Notes:*

- (i) Pursuant to a land title certificate, “Catatan Carian Persendirian”, the leasehold interest of the subject land H.S. (M) 1594, Lot P.T. 2374 with a site area of 8,094 square metres (equivalent to 87,123 square feet) is held by FMSB (MY) for a term expiring on 3 July 2083 for industrial use.
- (ii) We have been provided with a legal opinion regarding the real property by the Company’s Malaysian legal advisers, which contains, inter alia, the following:
  - a. FMSB (MY) is the registered owner of the land;
  - b. This land is to be used for industrial purpose only;
  - c. The real property has been charged to Public Bank Berhad on 26 August 2008 vide presentation no.: 9914/2008;
  - d. FMSB (MY) has been granted the certificate of fitness for the factory and office building by Board of Architects of Malaysia on 24 June 2009;
  - e. FMSB (MY) is the legal owner of the buildings;
  - f. The real property can be freely transferred, mortgaged and leased on the open market.

| No.            | Real Property                                                                            | Description and Tenure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Particulars of Occupancy | Market value in existing state as at 31 July 2017 (RM) |        |       |         |        |            |    |                |     |           |     |            |     |               |     |       |        |                                                                                                                    |                                                                             |
|----------------|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------------------------------------|--------|-------|---------|--------|------------|----|----------------|-----|-----------|-----|------------|-----|---------------|-----|-------|--------|--------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| 4.             | GM 8265, Lot 87591, Mukim and District of Klang, State of Selangor Darul Ehsan, Malaysia | <p>The real property is located at Jalan Bukit Kemuning within Section 34 of Shah Alam, which is the capital city of the state of Selangor. Shah Alam city centre is situated about 8 kilometres north of the real property. The locality mainly comprises of purpose built detached industrial buildings, standard design semi-detached and terrace factories and vacant industrial lots. Most of these industrial properties are located along Jalan Bukit Kemuning, which is a main access road.</p> <p>The real property comprises a parcel of land with a site area of approximately 4,693 square metres (equivalent to 50,515 square feet) and a two-storey office cum factory building and ancillary facilities, including guard house, refuse chamber, fuel tank, carpark shed and motor shed erected thereon. The buildings were completed in about 2006.</p> <p>The buildings of the real property have a total gross floor area of approximately 31,470 square feet. Detail breakdown is shown as follows:</p> <table><tr><th>Usage</th><th>Gross Floor Area (sq.ft.)</th></tr><tr><td>Office</td><td>6,580</td></tr><tr><td>Factory</td><td>23,447</td></tr><tr><td>Guardhouse</td><td>96</td></tr><tr><td>Refuse chamber</td><td>145</td></tr><tr><td>Fuel tank</td><td>147</td></tr><tr><td>Motor shed</td><td>122</td></tr><tr><td>Car park shed</td><td>933</td></tr><tr><td>Total</td><td>31,470</td></tr></table> <p>The land of the real property is held under freehold interest.</p> | Usage                    | Gross Floor Area (sq.ft.)                              | Office | 6,580 | Factory | 23,447 | Guardhouse | 96 | Refuse chamber | 145 | Fuel tank | 147 | Motor shed | 122 | Car park shed | 933 | Total | 31,470 | Upon our site inspection, the real property is occupied by the Group for industrial, office and ancillary purpose. | 7,800,000 (Malaysian Ringgit Seven Million and Eight Hundred Thousand Only) |
| Usage          | Gross Floor Area (sq.ft.)                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                          |                                                        |        |       |         |        |            |    |                |     |           |     |            |     |               |     |       |        |                                                                                                                    |                                                                             |
| Office         | 6,580                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                          |                                                        |        |       |         |        |            |    |                |     |           |     |            |     |               |     |       |        |                                                                                                                    |                                                                             |
| Factory        | 23,447                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                          |                                                        |        |       |         |        |            |    |                |     |           |     |            |     |               |     |       |        |                                                                                                                    |                                                                             |
| Guardhouse     | 96                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                          |                                                        |        |       |         |        |            |    |                |     |           |     |            |     |               |     |       |        |                                                                                                                    |                                                                             |
| Refuse chamber | 145                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                          |                                                        |        |       |         |        |            |    |                |     |           |     |            |     |               |     |       |        |                                                                                                                    |                                                                             |
| Fuel tank      | 147                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                          |                                                        |        |       |         |        |            |    |                |     |           |     |            |     |               |     |       |        |                                                                                                                    |                                                                             |
| Motor shed     | 122                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                          |                                                        |        |       |         |        |            |    |                |     |           |     |            |     |               |     |       |        |                                                                                                                    |                                                                             |
| Car park shed  | 933                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                          |                                                        |        |       |         |        |            |    |                |     |           |     |            |     |               |     |       |        |                                                                                                                    |                                                                             |
| Total          | 31,470                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                          |                                                        |        |       |         |        |            |    |                |     |           |     |            |     |               |     |       |        |                                                                                                                    |                                                                             |

## Notes:

- (i) Pursuant to a land title certificate, "Catatan Carian Persendirian", the freehold interest of the subject land GM 8265, Lot 87591 with a site area of 4,693 square metres is held by Texstrip Manufacturing Sdn. Bhd. ("TMSB (MY)", a wholly-owned subsidiary of the Company) for industrial use.
- (ii) The land has been leased to Lembaga Letrik Negara, Tanah Melayu for a term of 30 years from 1 January 1987 to 31 December 2016 vide presentation no. 1478/1987 Jil. 1 Fol. 98 dated 30 June 1987. (A portion of the land measuring 420 square feet is physically leased to Tenaga Nasional Berhad (TNB) from 1 January 1987 to 31 December 2016 for building upon with the TNB's electrical sub-station.)

- (iii) We have been provided with a legal opinion regarding the real property by the Company's Malaysian legal advisers, which contains, inter alia, the following:
- a. TMSB (MY) is the registered owner of the land;
  - b. This land shall be used for industrial purpose only;
  - c. The real property is subjected to encumbrances as follows:
    - (i) The land is leased to Lembaga Letrik Negara, Tanah Melayu for a term of 30 years from 1 January 1987 to 31 December 2016 vide presentation no. 1478/1987;
    - (ii) The land is charged to Hong Leong Bank Berhad (formerly known as Eon Bank Berhad) vide presentation no. 1135/2003 on 21 February 2003;
  - d. Partial of the land is leased to Lembaga Letrik Negara, Tanah Melayu for a term of 30 years from 1 January 1987 to 31 December 2016 vide presentation no. 1478/1987. Lembaga Letrik Negara (Tenaga Nasional Berhad) (TNB) is a government linked company in Malaysia which supplies electricity. The lease is for an area of the land on which a sub-station has been erected by TNB for the purposes of supplying electricity to the factory. There are no rental proceeds received by the Company as a result of this lease;
  - e. TMSB (MY) has been granted the certificate of fitness for the factory by Majlis Bandaraya Shah Alam on 17 November 2006;
  - f. TMSB (MY) is the legal owner of the buildings;
  - g. The real property can be freely transferred, mortgaged and leased on the open market.

| No. | Real Property                                                                                       | Description and Tenure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Particulars of Occupancy                                                                      | Market value in existing state as at 31 July 2017 (RM)               |
|-----|-----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| 5.  | H.S. (D) 37374, Lot P.T. 4886, Mukim and District of Klang, State of Selangor Darul Ehsan, Malaysia | <p>The real property is located at Jalan Harum 25/49 in Taman Sri Muda, Seksyen 25 Shah Alam, Selangor Darul Ehsan. Taman Sri Muda is an established mixed township providing residential, commercial and industrial properties. The locality mainly comprises of single-storey, double-storey and three-storey compact terrace house of different designs as well as several blocks of flats and apartments.</p> <p>The real property comprises a three-storey compact terrace house erected on a parcel of land with a site area of approximately 78.036 square metres (equivalent to 840 square feet). Taman Sri Muda is an established housing scheme launched in 1982.</p> <p>The real property has a total gross floor area of approximately 1,260 square feet.</p> <p>The land of the real property is held under freehold interest.</p> | Upon our site inspection, the real property is occupied by the Group for staff dormitory use. | 170,000<br>(Malaysian Ringgit One Hundred and Seventy Thousand Only) |

*Notes:*

- (i) Pursuant to a land title certificate, "Catatan Carian Persendirian", the freehold interest of the subject land Lot P.T. 4886, H.S. (D) 37374, with a site area of 78.036 square metres (equivalent to 840 square feet) is held by TMSB (MY) for residential use.
- (ii) We have been provided with a legal opinion regarding the real property by the Company's Malaysian legal advisers, which contains, inter alia, the following:
  - a. TMSB (MY) is the legal owner of the land;
  - b. The real property is to be used for residential purposes;
  - c. The real property was purchased by way of a sub-sale transaction. Certificate of fitness for the real property has been granted to the first purchaser of the real property;
  - d. TMSB (MY) is the legal owner of the building;
  - e. The real property can be freely transferred, mortgaged and leased on the open market.

## Group II — Real property interests held and occupied by the Group in Vietnam

| No.                   | Real Property                                                                                                    | Description and Tenure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Particulars of Occupancy | Market value in existing state as at 31 July 2017 (USD) |             |      |                       |         |            |         |         |      |           |         |       |          |                                                                                                                    |                                                                                                                                                                           |
|-----------------------|------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------------------------------------------|-------------|------|-----------------------|---------|------------|---------|---------|------|-----------|---------|-------|----------|--------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6.                    | No. 18, Street No. 3A, Bien Hoa 2 Industrial Zone, Long Binh Tan Ward, Bien Hoa City, Dong Nai Province, Vietnam | <p>The real property comprises a parcel of land with a site area of approximately 13,986 square metres (equivalent to 150,545.3 square feet) and a two-storey office, two workshops, a warehouse, a canteen and a guard house erected thereon. The buildings were completed in various stages between 1996 and 2004.</p> <p>The buildings of the real property have a total gross floor area of approximately 13,411.2 square metres (equivalent to 144,358.2 square feet). Detail breakdown is shown as follows:</p> <table><thead><tr><th>Usage</th><th>Gross Floor Area (sq.m.)</th></tr></thead><tbody><tr><td>Guard house</td><td>13.5</td></tr><tr><td>Workshop 1 and office</td><td>3,843.7</td></tr><tr><td>Workshop 2</td><td>6,858.0</td></tr><tr><td>Canteen</td><td>90.0</td></tr><tr><td>Warehouse</td><td>2,606.0</td></tr><tr><td>Total</td><td>13,411.2</td></tr></tbody></table> <p>The land of the real property is leased for a term expiring on 16 January 2044.</p> | Usage                    | Gross Floor Area (sq.m.)                                | Guard house | 13.5 | Workshop 1 and office | 3,843.7 | Workshop 2 | 6,858.0 | Canteen | 90.0 | Warehouse | 2,606.0 | Total | 13,411.2 | Upon our site inspection, the real property is occupied by the Group for industrial, office and ancillary purpose. | 840,000<br><br>(US Dollar Eight Hundred and Forty Thousand Only)<br><br>Equivalent to RM3,590,000 (Malaysian Ringgit Three Million Five Hundred and Ninety Thousand Only) |
| Usage                 | Gross Floor Area (sq.m.)                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                          |                                                         |             |      |                       |         |            |         |         |      |           |         |       |          |                                                                                                                    |                                                                                                                                                                           |
| Guard house           | 13.5                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                          |                                                         |             |      |                       |         |            |         |         |      |           |         |       |          |                                                                                                                    |                                                                                                                                                                           |
| Workshop 1 and office | 3,843.7                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                          |                                                         |             |      |                       |         |            |         |         |      |           |         |       |          |                                                                                                                    |                                                                                                                                                                           |
| Workshop 2            | 6,858.0                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                          |                                                         |             |      |                       |         |            |         |         |      |           |         |       |          |                                                                                                                    |                                                                                                                                                                           |
| Canteen               | 90.0                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                          |                                                         |             |      |                       |         |            |         |         |      |           |         |       |          |                                                                                                                    |                                                                                                                                                                           |
| Warehouse             | 2,606.0                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                          |                                                         |             |      |                       |         |            |         |         |      |           |         |       |          |                                                                                                                    |                                                                                                                                                                           |
| Total                 | 13,411.2                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                          |                                                         |             |      |                       |         |            |         |         |      |           |         |       |          |                                                                                                                    |                                                                                                                                                                           |

## Notes:

- (i) According to a contract for rental of workshop dated 1 June 2015 between Furniweb (Vietnam) Shareholding Company (“FVSC (VN)”, a wholly-owned subsidiary of the Company) and Trunet (Vietnam) Co., Limited (“TNV (VN)”), portion of the workshop and warehouse with total gross floor area of 1,230 square metres (equivalent to 13,239.7 square feet) is leased to TNV (VN) for a term of 3 years expiring on 31 May 2018 at a monthly rent of USD2,060.25. TNV (VN) is joint venture of the Group.
- (ii) In the course of valuation, we have not attributed any commercial value to the leasehold land as it is with annual payment and is generally not permitted to transfer, assign or sub-lease.
- (iii) We have been provided with a legal opinion regarding the real property interest, by the Company’s Vietnamese legal advisers, which contains, inter alia, the following:
  - (a) According to Land and Infrastructure Sub-lease Agreement No. 61/HDTD/BH2 dated 30 June 2010 entered into between FVSC (VN) and Sonadezi Long Binh Shareholding Company, the land of the real property with a site area of approximately 13,986 square metres is leased to FVSC (VN) for a term of 47 years from 16 January 1997 with the passing annual rental is USD28,671.3084;
  - (b) FVSC (VN) has obtained the Certificate of Building Ownership No. 757312605600126 of the buildings issued by the People’s Committee of Dong Nai Province on 2 August 2007. This certificate is in full force and effect;
  - (c) Subject to the mortgage of the factory buildings to Public Bank, all rights for FVSC (VN)’s current usage of the real property are free and clear of all claims, liens, security interests or other encumbrances;
  - (d) FVSC (VN) is allowed to construct factories on the leased land area and own, mortgage or sell the factory buildings. While FVSC (VN) may own the factory buildings outright, it will have to deal with such factory buildings (i.e. relocate or sell the buildings) if the term of the land plots or the lease expire and are not extended or renewed.

| No.            | Real Property                                                                                                  | Description and Tenure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Particulars of Occupancy | Market value in existing state as at 31 July 2017 (USD) |            |       |        |       |         |     |               |    |              |     |                |    |            |       |            |        |               |    |       |        |                                                                                                                           |                                                                                                                                                                                      |
|----------------|----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------------------------------------------|------------|-------|--------|-------|---------|-----|---------------|----|--------------|-----|----------------|----|------------|-------|------------|--------|---------------|----|-------|--------|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 7.             | Street No. 8 Nhon Trach1 Industrial Park, Phuoc Thien Commune, Nhon Trach District, Dong Nai Province, Vietnam | <p>The real property comprises a parcel of land with a site area of approximately 26,083 square metres (equivalent to 280,757.4 square feet) and an office building, three workshops, one canteen, two security booths, one parking area, fence, internal road and electric house erected thereon. The buildings were completed in various stages between 2002 and 2011. According to the Company’s information, a portion of the land with a site area of approximately 161,264.1 square feet is currently vacant.</p> <p>The buildings of the real property have a gross floor area of approximately 18,755 square metres (equivalent to 201,878.8 square feet). Detail breakdown is shown as follows:</p> <table><tr><th>Usage</th><th>Gross Floor Area (sq.m.)</th></tr><tr><td>Workshop 1</td><td>3,000</td></tr><tr><td>Office</td><td>1,152</td></tr><tr><td>Canteen</td><td>160</td></tr><tr><td>Guard house 1</td><td>16</td></tr><tr><td>Parking area</td><td>222</td></tr><tr><td>Electric house</td><td>13</td></tr><tr><td>Workshop 2</td><td>3,600</td></tr><tr><td>Workshop 3</td><td>10,578</td></tr><tr><td>Guard house 2</td><td>14</td></tr><tr><td>Total</td><td>18,755</td></tr></table> <p>The land of the real property is leased for a term expiring on 22 January 2048.</p> | Usage                    | Gross Floor Area (sq.m.)                                | Workshop 1 | 3,000 | Office | 1,152 | Canteen | 160 | Guard house 1 | 16 | Parking area | 222 | Electric house | 13 | Workshop 2 | 3,600 | Workshop 3 | 10,578 | Guard house 2 | 14 | Total | 18,755 | <p>Upon our site inspection, the real property is occupied by the Group for industrial, office and ancillary purpose.</p> | <p>1,660,000</p> <p>(US Dollar One Million Six Hundred and Sixty Thousand Only)</p> <p>Equivalent to RM7,100,000 (Malaysian Ringgit Seven Million and One Hundred Thousand Only)</p> |
| Usage          | Gross Floor Area (sq.m.)                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                          |                                                         |            |       |        |       |         |     |               |    |              |     |                |    |            |       |            |        |               |    |       |        |                                                                                                                           |                                                                                                                                                                                      |
| Workshop 1     | 3,000                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                          |                                                         |            |       |        |       |         |     |               |    |              |     |                |    |            |       |            |        |               |    |       |        |                                                                                                                           |                                                                                                                                                                                      |
| Office         | 1,152                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                          |                                                         |            |       |        |       |         |     |               |    |              |     |                |    |            |       |            |        |               |    |       |        |                                                                                                                           |                                                                                                                                                                                      |
| Canteen        | 160                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                          |                                                         |            |       |        |       |         |     |               |    |              |     |                |    |            |       |            |        |               |    |       |        |                                                                                                                           |                                                                                                                                                                                      |
| Guard house 1  | 16                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                          |                                                         |            |       |        |       |         |     |               |    |              |     |                |    |            |       |            |        |               |    |       |        |                                                                                                                           |                                                                                                                                                                                      |
| Parking area   | 222                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                          |                                                         |            |       |        |       |         |     |               |    |              |     |                |    |            |       |            |        |               |    |       |        |                                                                                                                           |                                                                                                                                                                                      |
| Electric house | 13                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                          |                                                         |            |       |        |       |         |     |               |    |              |     |                |    |            |       |            |        |               |    |       |        |                                                                                                                           |                                                                                                                                                                                      |
| Workshop 2     | 3,600                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                          |                                                         |            |       |        |       |         |     |               |    |              |     |                |    |            |       |            |        |               |    |       |        |                                                                                                                           |                                                                                                                                                                                      |
| Workshop 3     | 10,578                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                          |                                                         |            |       |        |       |         |     |               |    |              |     |                |    |            |       |            |        |               |    |       |        |                                                                                                                           |                                                                                                                                                                                      |
| Guard house 2  | 14                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                          |                                                         |            |       |        |       |         |     |               |    |              |     |                |    |            |       |            |        |               |    |       |        |                                                                                                                           |                                                                                                                                                                                      |
| Total          | 18,755                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                          |                                                         |            |       |        |       |         |     |               |    |              |     |                |    |            |       |            |        |               |    |       |        |                                                                                                                           |                                                                                                                                                                                      |

## Notes:

- (i) According to a Land Sublease Contract No. 216/CT-KHDT dated 6 March 2002 between Urban and Industrial Zone Development Company (the "URBIZ") and Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd ("PEWAV (VN)", a wholly-owned subsidiary of the Company), the land of the real property with a site area of approximately 26,122.5 square metres is leased to PEWAV (VN) for a term of 46 years from the date of signing of the Land Subleasing Contract.
- (ii) According to an Annex for Land Sub-leasing Contract No. 854A/CT-DT dated 31 August 2005 between URBIZ and PEWAV (VN), the two parties have agreed to amend Article 1 and Article 3 of the Land Sublease Contract No.216/CT-KHDT dated 6 March 2002 as follows:
  - (1) URBIZ agreed to sublease 26,083 square metres of land to PEWAV (VN);
  - (2) The duration for subleasing land is counted from 6 March 2002 to 22 January 2048.
- (iii) In the course of valuation, we have not attributed any commercial value to the leasehold land as it is with annual payment and is generally not permitted to transfer, assign or sub-lease.



- (iv) We have been provided with a legal opinion regarding the real property interest, by the Company's Vietnamese legal advisers, which contains, inter alia, the following:
- (a) PEWAV (VN) has obtained all title documents of the real property including Certificate on land use right, ownership of building and other assets attached to land No. BK012499, registration No. CT 14002, issued by the Department of Natural Resource and Environment of Dong Nai Province on 10 August 2012; the document is in full force and effect;
  - (b) PEWAV (VN) has obtained all necessary rights for its current usage of the factory free and clear of all claims, liens, security interests or other encumbrances;
  - (c) PEWAV (VN) has obtained all necessary approvals, consents, authorisations and permits for the renting of the leased land and they are valid and subsisting as at the date hereof;
  - (d) PEWAV (VN) has entered into Letter Offer No. HCM/LC/FL/11/013 & HCM/LC/FL/11/014 dated 2 June 2011 with Public Bank under which PEWAV (VN) has mortgaged the factory buildings to Public Bank;
  - (e) PEWAV (VN) has an indefeasible title or a good, marketable, valid and subsisting title to the real property subject to:
    - (1) the lease term of the land where the factory buildings are erected on; and
    - (2) the mortgage of the factory buildings to Public Bank;
  - (f) Title documents in respect of the factory have been obtained, and are in full force and effect, and are in possession of PEWAV (VN);
  - (g) PEWAV (VN) is allowed to construct factories on the leased land area and own, mortgage or sell the factory buildings. While PEWAV (VN) may own the factory buildings outright, it will have to deal with such factory buildings (i.e. relocate or sell the buildings) if the term of the land plots or the lease expire and are not extended or renewed.

| No.                | Real Property                                                                                                    | Description and Tenure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Particulars of Occupancy | Market value in existing state as at 31 July 2017 (USD) |                |       |              |        |                    |          |             |        |           |          |               |       |       |          |                                                                                                                      |                                                                                                                                              |
|--------------------|------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------------------------------------------|----------------|-------|--------------|--------|--------------------|----------|-------------|--------|-----------|----------|---------------|-------|-------|----------|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| 8.                 | Street No. 2, Nhon Trach I Industrial Park, Phuoc Thien Commune, Nhon Trach District, Dong Nai Province, Vietnam | <p>The real property comprises a parcel of land with a site area of approximately 22,523 square metres (equivalent to 242,437.6 square feet) and an office building, two workshops, dormitory, parking area, security booth, control house and water treatment plant erected thereon. The buildings were completed in various stages between 2005 and 2014.</p> <p>The buildings of the real property have a total gross floor area of approximately 9,416.14 square metres (equivalent to 101,355.3 square feet). Detail breakdown is shown as follows:</p> <table><thead><tr><th>Usage</th><th>Gross Floor Area (sq.m.)</th></tr></thead><tbody><tr><td>Security booth</td><td>12.00</td></tr><tr><td>Parking area</td><td>174.00</td></tr><tr><td>Factory and office</td><td>5,612.00</td></tr><tr><td>Staff house</td><td>506.00</td></tr><tr><td>Factory 2</td><td>3,072.00</td></tr><tr><td>Control house</td><td>40.14</td></tr><tr><td>Total</td><td>9,416.14</td></tr></tbody></table> <p>The land of the real property is leased for a term expiring on 22 January 2048.</p> | Usage                    | Gross Floor Area (sq.m.)                                | Security booth | 12.00 | Parking area | 174.00 | Factory and office | 5,612.00 | Staff house | 506.00 | Factory 2 | 3,072.00 | Control house | 40.14 | Total | 9,416.14 | Upon our site inspection, the real property is occupied by the Group for industrial, office and residential purpose. | 935,000<br><br>(US Dollar Nine Hundred and Thirty Five Thousand Only)<br><br>Equivalent to RM4,000,000 (Malaysian Ringgit Four Million Only) |
| Usage              | Gross Floor Area (sq.m.)                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                          |                                                         |                |       |              |        |                    |          |             |        |           |          |               |       |       |          |                                                                                                                      |                                                                                                                                              |
| Security booth     | 12.00                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                          |                                                         |                |       |              |        |                    |          |             |        |           |          |               |       |       |          |                                                                                                                      |                                                                                                                                              |
| Parking area       | 174.00                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                          |                                                         |                |       |              |        |                    |          |             |        |           |          |               |       |       |          |                                                                                                                      |                                                                                                                                              |
| Factory and office | 5,612.00                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                          |                                                         |                |       |              |        |                    |          |             |        |           |          |               |       |       |          |                                                                                                                      |                                                                                                                                              |
| Staff house        | 506.00                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                          |                                                         |                |       |              |        |                    |          |             |        |           |          |               |       |       |          |                                                                                                                      |                                                                                                                                              |
| Factory 2          | 3,072.00                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                          |                                                         |                |       |              |        |                    |          |             |        |           |          |               |       |       |          |                                                                                                                      |                                                                                                                                              |
| Control house      | 40.14                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                          |                                                         |                |       |              |        |                    |          |             |        |           |          |               |       |       |          |                                                                                                                      |                                                                                                                                              |
| Total              | 9,416.14                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                          |                                                         |                |       |              |        |                    |          |             |        |           |          |               |       |       |          |                                                                                                                      |                                                                                                                                              |

## Notes:

- (i) According to a Land Subleasing Contract No. 921/CT-DT entered into between Urban and Industrial Zone Development Company (IDICO-URBIZ) and Furnitech Components (Vietnam) Co., Limited ("FCV (VN)") dated 10 September 2004, the land of the real property with a site area of approximately 22,500 square metres is leased to FCV (VN) for a term of 44 years commencing from the date of issuance of Investment Licence.
- (ii) According to an Annex for Land Subleasing Contract, No. 604/CT-DT, dated 10 July 2006, the parties have agreed to amend the Land Subleasing Contract No. 921/CT-DT dated 10 September 2004 as follows:
  1. IDICO-URBIZ has agreed to sublease 22,523 square metres of land to FCV (VN);
  2. The duration for land subleasing is counted from 10 September 2004 to 22 January 2048.
- (iii) In the course of valuation, we have not attributed any commercial value to the leasehold land as it is with annual payment and is generally not permitted to transfer, assign or sub-lease.
- (iv) We have been provided with a legal opinion regarding the real property interest, by the Company's Vietnamese legal advisers, which contains, inter alia, the following:
  - (a) FCV (VN) has obtained all title document of the real property including Certificated of land use right, ownership of building and other assets attached to land No. BV 634818, registration No. CT 25539, issued by the Department of Natural Resource and Environment of Dong Nai Province on 6 July 2015; the documents are in full force and effect;

- (b) FCV (VN) has obtained all necessary rights for its current usage of the factory free and clear of all claims, liens, security interests or other encumbrances;
- (c) Portion of the real property is subject to a Mortgage Contract of Properties on Land dated 8 October 2004 and the value of the mortgaged assets is VND15,481,938,954;
- (d) Portion of the real property is subject to a Mortgage Contract of Future Property on Land dated 8 October 2004 and the value of the mortgaged assets is VND7,223,640,000;
- (e) Title documents in respect of the factory (i.e. Certificate of land use right, ownership of building and other assets attached to land No. BV 634818, registration No. CT 25539), which are all the title documents for the purpose of ascertaining title to the real property, (a) have been obtained by FCV (VN), (b) are in full force and effect, and (c) are in possession of Public Bank; and
- (f) FCV (VN) is allowed to construct factories on the leased land area and own, mortgage or sell the factory buildings. While FCV (VN) may own the factory buildings outright, it will have to deal with such factory buildings (i.e. relocate or sell the buildings) if the term of the land plots or the lease expire and are not extended or renewed.

## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW**

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

### **1. MEMORANDUM OF ASSOCIATION**

The Memorandum of Association provides that the Company's objects are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law. The objects of the Company are set out in Clause 3 of the Memorandum of Association which is available for inspection at the address and during the period specified in "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection — Documents Available for Inspection" in Appendix VII to this prospectus. As an exempted company, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

### **2. ARTICLES OF ASSOCIATION**

The Articles of Association of the Company were adopted on 20 September 2017. The following is a summary of certain provisions of the Articles.

#### **(a) Directors**

##### *(i) Power to allot and issue shares*

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Directors may determine) and any preference shares may be issued with voting rights on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of the Company on such terms as they may from time to time determine.

All unissued shares in the Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms as they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

##### *(ii) Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries although the Directors may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or relevant statutes of the Cayman Islands to be exercised or done by the Company in general meeting.

|                                                                                                           |
|-----------------------------------------------------------------------------------------------------------|
| <b>APPENDIX IV    SUMMARY OF THE CONSTITUTION OF OUR COMPANY<br/>AND THE CAYMAN ISLANDS COMPANIES LAW</b> |
|-----------------------------------------------------------------------------------------------------------|

*(iii) Compensation or payments for loss of office*

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

*(iv) Loans and the giving of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or a body corporate controlled by a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 22 of the Laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

*(v) Financial assistance to purchase shares of the Company or its holdings company*

There are no provisions in the Articles relating to the giving by the Company of financial assistance for the purchase, subscription or other acquisition of shares of the Company or of its holding company. The law on this area is summarised in paragraph 4(b) below.

*(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If

|                                                                                                           |
|-----------------------------------------------------------------------------------------------------------|
| <b>APPENDIX IV    SUMMARY OF THE CONSTITUTION OF OUR COMPANY<br/>AND THE CAYMAN ISLANDS COMPANIES LAW</b> |
|-----------------------------------------------------------------------------------------------------------|

to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his close associate(s) (as defined in the Articles) is to his knowledge materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

- (aa) any contract or arrangement for the giving to the Director or his close associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving by the Company of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves guaranteed or secured or otherwise assumed responsibility in whole or in part;
- (cc) any contract or arrangement by a Director or his close associate(s) by virtue only of his/their interests in shares or debentures or other securities of the Company to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his close associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;
- (dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their respective interest in shares or debentures or other securities of the Company;
- (ff) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his close associate(s) and employees of the Company or of any

|                                                                                                           |
|-----------------------------------------------------------------------------------------------------------|
| <b>APPENDIX IV    SUMMARY OF THE CONSTITUTION OF OUR COMPANY<br/>AND THE CAYMAN ISLANDS COMPANIES LAW</b> |
|-----------------------------------------------------------------------------------------------------------|

of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, close associate(s) of Directors and employees of the Company or any of its subsidiaries and does not give the Director or his close associate(s) any privilege not accorded to the class of persons to whom such scheme or fund relates;

- (gg) any proposal concerning the adoption, modification or operation of any employees' share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his close associate(s) may benefit; and
- (hh) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of the employees of the Company or its subsidiaries including any Director and his close associate(s).

*(vii) Remuneration*

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the ordinary remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds or personal pension plans for the benefit of, or to give or procure the giving of donations,

|                                                                                                           |
|-----------------------------------------------------------------------------------------------------------|
| <b>APPENDIX IV    SUMMARY OF THE CONSTITUTION OF OUR COMPANY<br/>AND THE CAYMAN ISLANDS COMPANIES LAW</b> |
|-----------------------------------------------------------------------------------------------------------|

gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons. The Directors may also establish and subsidise or subscribe to any institutions, associations, clubs or funds calculated to be for the benefit of or to advance the interests and well being of the Company or any such other company as aforesaid or of any such persons as aforesaid and may make payments for or towards the insurance of any such persons as aforesaid, and subscribe or guarantee money for charitable or benevolent-objects or for any exhibition or for any public general or useful object. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

*(viii) Retirement, appointment and removal*

At each annual general meeting, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company). Subject to the statutes and the provisions of the Articles, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, vice chairman, managing director, joint managing director, deputy managing director or executive director of the Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees



## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW**

either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

### *(ix) Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*Note:* The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of the Company.

### *(x) Qualification shares*

Directors of the Company are not required under the Articles to hold any qualification shares.

### *(xi) Indemnity to Directors*

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

## **(b) Alterations to constitutive documents**

The Memorandum of Association of the Company may be altered by the Company in general meeting. The Articles may also be amended by the Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the Memorandum of Association, to approve any alteration to the Articles and to change the name of the Company.

## **(c) Alterations of capital**

The Company may from time to time by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which

|                                                                                                           |
|-----------------------------------------------------------------------------------------------------------|
| <b>APPENDIX IV    SUMMARY OF THE CONSTITUTION OF OUR COMPANY<br/>AND THE CAYMAN ISLANDS COMPANIES LAW</b> |
|-----------------------------------------------------------------------------------------------------------|

particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

- (iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
- (v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;
- (vi) change the currency of denomination of its share capital; and
- (vii) make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its issued share capital or undistributable reserve in any manner authorised and subject to any conditions prescribed by law. The Company may apply its share premium account in any manner permitted by law.

**(d) Variation of rights of existing shares or classes of shares**

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

**(e) Special resolutions — majority required**

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case

## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW**

of such members as are corporations, by their respective duly authorised representatives, or by proxy, at a general meeting of which notice of has been duly given in accordance with the Articles, as to which see paragraph 2(i) below for further details.

### **(f) Voting rights**

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is to be treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles shall be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

### **(g) Requirements for annual general meetings**

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year, and not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the stock exchange on which any securities of the Company are listed with the permission of the Company.

## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW**

### **(h) Accounts and audit**

The Directors shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by law or are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of the Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

The Directors shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in the Company are listed on the Stock Exchange, the accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of the Company shall be signed on behalf of the Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss accounts which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from the Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Directors.

## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW**

### **(i) Notices of meetings and business to be conducted thereat**

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other extraordinary general meetings (including an extraordinary general meeting) must be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days. The notice shall specify the place, the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of that business.

### **(j) Transfer of shares**

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in the Company are listed on the Stock Exchange, in such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW**

The registration of transfers may, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

### **(k) Power for the Company to purchase its own shares**

The Articles provide that the power of the Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

### **(l) Power of any subsidiary to own securities in the Company**

There are no provisions in the Articles relating to ownership of securities in the Company by a subsidiary.

### **(m) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. The Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

The Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.



## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW**

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to the Company and, in the case where any of the same are securities in the Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

### **(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of the Company or at a class meeting. On a poll, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of the Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

### **(o) Corporate representatives**

A corporate member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

### **(p) Calls on shares and forfeiture of shares**

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or

|                                                                                                           |
|-----------------------------------------------------------------------------------------------------------|
| <b>APPENDIX IV    SUMMARY OF THE CONSTITUTION OF OUR COMPANY<br/>AND THE CAYMAN ISLANDS COMPANIES LAW</b> |
|-----------------------------------------------------------------------------------------------------------|

instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

**(q) Inspection of register of members**

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of the Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if the Company were incorporated under and is subject to the Companies Ordinance (Cap. 622) of the laws of Hong Kong.

**(r) Inspection of register of Directors**

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of the Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

**(s) Quorum for meetings and separate class meetings**

For all purposes the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

**(t) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands company law as summarised in paragraph 4(e) below.



## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW**

### **(u) Procedures on liquidation**

A resolution for a court or voluntary winding up of the Company must be passed by way of a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

### **(v) Untraceable members**

The Company may sell the shares of any member if: (i) dividends or other distributions have been declared by the Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) the Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of the Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) the Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) the Company has notified the stock exchange on which the ordinary share capital of the Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to the Company and upon the receipt of such net proceeds by the Company, the Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

### **(w) Stock**

The Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock

## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW**

transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such rights, privilege or advantages (except participation in the dividends and profits and in the assets on winding up of the Company) shall be conferred by an amount of stock which would not, if existing in shares, have conferred such rights, privileges or advantages. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words “share” and “shareholder” therein shall include “stock” and “stockholder” and “member”.

### **(x) Other provisions**

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which the Company may issue after the date of this prospectus shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a share on any exercise of the warrants.

### **3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION**

Subject to the rights of the Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the Memorandum of Association of the Company may be altered by the Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum of Association (subject as provided above) or the Articles or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than 14 clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of not less than 14 clear days' notice and not less than ten (10) clear business days notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together representing not less than 95 per cent. of the total voting rights at the meeting of all the members.

|                                                                                                           |
|-----------------------------------------------------------------------------------------------------------|
| <b>APPENDIX IV    SUMMARY OF THE CONSTITUTION OF OUR COMPANY<br/>AND THE CAYMAN ISLANDS COMPANIES LAW</b> |
|-----------------------------------------------------------------------------------------------------------|

#### **4.    CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

##### **(a)    Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

- (i)    in paying distributions or dividends to members;
- (ii)   in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (iii)   in redeeming or purchasing its shares as provided in the Companies Law; or
- (iv)   in writing off
  - (aa)   the preliminary expenses of the company; or
  - (bb)   the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

##### **(b)    Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW**

### **(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries**

A company may, if authorised by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. Purchases and redemptions may only be effected out of the profits of the company or the share premium account of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

### **(d) Dividends and distributions**

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW**

### **(e) Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

### **(f) Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

### **(g) Accounting and auditing requirements**

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

### **(h) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

### **(i) Taxation**

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, the Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (2011 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, the Company, for a period of 20 years from the date of the grant of the undertaking, will not be

## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW**

chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Caymans Islands or elsewhere and that dividends of the Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

### **(j) Stamp duty**

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

### **(k) Inspection of corporate records**

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

### **(l) Winding up**

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles of association expires, or the event occurs on the occurrence of which the memorandum or articles of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

|                                                                                                           |
|-----------------------------------------------------------------------------------------------------------|
| <b>APPENDIX IV    SUMMARY OF THE CONSTITUTION OF OUR COMPANY<br/>AND THE CAYMAN ISLANDS COMPANIES LAW</b> |
|-----------------------------------------------------------------------------------------------------------|

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

## **5.    GENERAL**

Conyers Dill & Pearman, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection — Documents Available for Inspection" in Appendix VII to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.



**FURTHER INFORMATION ABOUT OUR COMPANY AND OTHER MEMBERS OF OUR GROUP****1. Incorporation of our Company**

On 3 March 2017, our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability with an authorised share capital of HK\$100,000 divided into 1,000,000 Shares having a par value of HK\$0.10 each. Upon incorporation of our Company, (i) one Share was allotted and issued, nil paid, to Sharon Pierson as initial subscriber, which was transferred to PRG Holdings on the same day; and (ii) 999,999 Shares were allotted and issued, nil paid, to PRG Holdings.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant laws and regulations of the Cayman Islands and our constitution which comprises the Memorandum and the Articles. A summary of the relevant laws and regulations of the Cayman Islands and of our Company's constitution is set out in Appendix IV to this prospectus.

**2. Changes in share capital of our Company***(a) Increase in authorised share capital*

- (i) On 21 September 2017, the authorised share capital of our Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of 999,000,000 new Shares pursuant to a resolution passed by our sole Shareholder on 21 September 2017.
- (ii) Immediately following completion of the Share Offer and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme, our authorised share capital will be HK\$100,000,000 divided into 1,000,000,000 Shares, of which 504,000,000 Shares will be issued fully paid or credited as fully paid, and 496,000,000 Shares will remain unissued.
- (iii) Other than pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in “3. Resolutions in writing of the sole Shareholder passed on 20 September 2017” and “4. Group reorganisation”, respectively, in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

*(b) Founder shares*

Our Company has no founder shares, management shares or deferred shares.



**3. Resolutions in writing of the sole Shareholder passed on 20 September 2017**

By resolutions in writing of the sole Shareholder passed on 20 September 2017,

- (a) the Memorandum and the Articles was approved and adopted;
- (b) conditional on (aa) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; and (bb) the obligations of the Underwriter under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:
  - (i) the Share Offer and the grant of the Offer Size Adjustment Option by our Company were approved and our Directors were authorised to (aa) allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be required to be allotted and issued upon the exercise of the Offer Size Adjustment Option; (bb) implement the Share Offer and the listing of Shares on GEM; and (cc) do all things and execute all documents in connection with or incidental to the Share Offer and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in “Other Information — 15. Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
  - (iii) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to allot and issue a total of 358,000,000 Shares credited as fully paid at par to PRG Holdings as the sole Shareholder whose name appeared on the register of members of our Company at the close of business on 29 September 2017 by way of capitalisation of the sum of HK\$35,800,000 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank pari passu in all respects with the existing issued Shares;
  - (iv) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for the allotment of shares in lieu of the whole or part of any dividend on Shares in accordance with the Articles, or any specific authority as may be granted by the Shareholders in general meetings, or the exercise of the Offer Size Adjustment Option, or the exercise of any options which may be granted under the Share Option Scheme or any other arrangements which may be regulated under Chapter 23 of the GEM Listing Rules, or under the Share Offer or the Capitalisation Issue, Shares with an aggregate number of not exceeding the sum of (aa) 20.0% of the aggregate number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option, and (bb) the aggregate

number of Shares which may be bought back by our Company pursuant to the authority granted to our Directors as referred to in subparagraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles, the Companies Law or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

- (v) a general unconditional mandate (the “**Buy-back Mandate**”) was given to our Directors to exercise all the powers of our Company to buy back Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed or recognised by the SFC and the Stock Exchange for this purpose with an aggregate number of Shares of not exceeding 10.0% of the aggregate number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles, the Companies Law or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and
- (vi) the extension of the general mandate to allot, issue and deal with Shares to include the aggregate number of Shares which may be bought back by the Company pursuant to paragraph (v) above.

#### 4. Group reorganisation

The companies comprising our Group underwent a reorganisation to rationalise our Group’s structure in preparation for the Listing, which involved the following:

- (a) On 28 December 2016, FIPB was incorporated in BVI under BVI Companies Act as a BVI business company with limited liability and is authorised to issue up to a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On 29 December 2016, one share of US\$1.00 par value in FIPB was allotted and issued, fully paid, to PRG Holdings.
- (b) On 3 March 2017, our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability with an authorised share capital of HK\$100,000 divided into 1,000,000 Shares having a par value of HK\$0.10 each. Upon incorporation of our Company, (i) one Share was allotted and issued, nil paid, to Sharon Pierson as initial subscriber, which was transferred to PRG Holdings on the same day; and (ii) 999,999 Shares were allotted and issued, nil paid, to PRG Holdings.
- (c) On 28 April 2017, FIPB acquired from PRG Holdings the entire issued share capital of each of TSMSB (MY), WTSB (MY), FMSB (MY) and TMSB (MY), in consideration of and in exchange for which FIPB allotted and issued, credited as fully paid, an aggregate of 100 shares in FIPB to PRG Holdings as to 3 shares, 47 shares, 39 shares and 11 shares as consideration shares for the acquisition of TSMSB (MY), WTSB (MY), FMSB (MY) and TMSB (MY), respectively, in proportion to the net asset value of each of these companies bears to their aggregate net asset value as at 31 December 2016.

- (d) On 21 September 2017, the authorised share capital of our Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of 999,000,000 new Shares.
- (e) On 21 September 2017, pursuant to a share purchase agreement entered into among PRG Holdings as vendor, our Company as purchaser, our Controlling Shareholder as warrantor and our Controlling Shareholder, non-executive Director and executive Directors as covenantors, our Company acquired the entire issued share capital in FIPB in consideration of and in exchange for which our Company (i) allotted and issued, credited as fully paid, an aggregate of 19,000,000 new Shares to PRG Holdings; and (ii) credited as fully paid at par the 1,000,000 Shares issued as nil paid which was registered in the name of PRG Holdings.

Upon completion of the Reorganisation, our Company became the holding company of our Group.

## 5. Our principal subsidiaries, associate and joint venture

Our principal subsidiaries, associate and joint venture are set out in the Accountant's Report.

### *Further information about our Group's subsidiaries and associate*

#### *(a) Malaysia*

Our Company had interest in six companies incorporated in Malaysia as at the Latest Practicable Date, whose corporate information is summarised below:

| Name:         | Date of incorporation: | Economic nature:          | Registered holder(s): | Paid up capital: | Effective equity interest attributable to our Company: | Principal scope of business:                                                         |
|---------------|------------------------|---------------------------|-----------------------|------------------|--------------------------------------------------------|--------------------------------------------------------------------------------------|
| 1. FMSB (MY)  | 3 October 1987         | Limited liability company | FIPB                  | RM5.8275 million | 100.0%                                                 | Manufacture and sale of upholstery webbings, covered elastic yarn and rigid webbings |
| 2. FSWSB (MY) | 19 June 1996           | Limited liability company | FMSB (MY)             | RM2.501 million  | 100.0%                                                 | Manufacture and sale of safety webbings                                              |
| 3. SSKSB (MY) | 5 December 1974        | Limited liability company | FMSB (MY)             | RM50,000         | 100.0%                                                 | Property holding company                                                             |
| 4. TMSB (MY)  | 13 June 1988           | Limited liability company | FIPB                  | RM2.7 million    | 100.0%                                                 | Manufacture and marketing of rubber strips and sheets                                |
| 5. TSMSB (MY) | 29 December 1994       | Limited liability company | FIPB                  | RM2.49 million   | 100.0%                                                 | dormant                                                                              |
| 6. WTSB (MY)  | 23 November 1984       | Limited liability company | FIPB                  | RM32.25 million  | 100.0%                                                 | Trading of machinery and accessories                                                 |

*(b) Vietnam*

Our Company had interest in three companies incorporated in Vietnam as at the Latest Practicable Date, whose corporate information is summarised below:

| Name:         | Date of incorporation: | Economic nature:          | Registered holder(s):                                                                                                                                        | Paid up capital:                                                                                     | Effective equity interest attributable to our Company: | Principal scope of business:                                               |
|---------------|------------------------|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------------------------|
| 1. FVSC (VN)  | 16 January 1997        | Joint stock company       | (1) WTSB (MY)<br>(2) FMSB (MY)<br>(3) FSWSB (MY)                                                                                                             | VND147 billion<br>(equivalent to<br>14,700,000 ordinary<br>shares of par value<br>of VND10,000 each) | 100.0%<br>(Note (i))                                   | Manufacture and sale of<br>upholstery webbings and<br>covered elastic yarn |
| 2. PEWAV (VN) | 23 January 2002        | Limited liability company | (1) WTSB (MY)<br>(2) FVSC (VN)                                                                                                                               | USD2.1 million                                                                                       | 100.0%<br>(Note (ii))                                  | Manufacture and sale of<br>narrow elastic fabrics                          |
| 3. FCV (VN)   | 4 August 2004          | Limited liability company | (1) FVSC (VN)<br>(2) Lubra<br>Beteiligungsgesellschaft<br>mbH ("Lubra")<br>(3) Scoot Filoot Pty Ltd<br>("Scoot")<br>(4) Shann Australia Pty<br>Ltd ("Shann") | US\$3.91 million                                                                                     | 45.06%<br>(Note (iii))                                 | Manufacture and sale of<br>metal components for<br>furniture               |

*Notes:*

- (i) WTSB (MY), FMSB (MY) and FSWSB (MY) had 99.9995%, 0.00025% and 0.00025% equity interest, respectively, in FVSC (VN) as at the Latest Practicable Date.
- (ii) WTSB (MY) and FVSC (VN) had 42.86% and 57.14% equity interest, respectively, in PEWAV (VN) as at the Latest Practicable Date.
- (iii) FVSC (VN), Lubra, Scoot and Shann had 45.06%, 45.06%, 6.61% and 3.27% equity interest, respectively, in FCV (VN).

*Further information about our Group's joint venture*

Our Company had interest in one joint venture as at the Latest Practicable Date, a summary of the corporate information of which is set out below:

| Name:       | Date of joint venture agreement: | Date of establishment: | Place of establishment: | Economic nature:          | Joint venturers:               | Paid up capital: | Effective interest attributable to our Company: | Principal scope of business:              |
|-------------|----------------------------------|------------------------|-------------------------|---------------------------|--------------------------------|------------------|-------------------------------------------------|-------------------------------------------|
| 1. TNV (VN) | 5 February 2001<br>(Note)        | 5 February 2001        | Vietnam                 | Limited liability company | (1) FMSB (MY)<br>(2) Trunet UK | USD0.3 million   | 50.0%                                           | Manufacture and marketing of meat netting |

*Note:* Trunet UK became a joint venturer of TNV (VN) when it acquired all the right, title and interest held by one of the two then joint venturers (namely, Trunature Limited) under the joint venture agreement dated 5 February 2001 pursuant to an agreement dated 23 October 2007 entered into between Trunature Limited, Trunet UK (then known as Trunature Holdings Limited) and FMSB (MY).

**6. Changes in the share capital of our subsidiaries**

Saved as disclosed below, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

*FVSC (VN)*

On 31 October 2016, the registered and paid up charter capital of FVSC (VN) was increased from VND40,148,100,688 to VND80,000,000,000 by the creation of 3,985,190 new ordinary shares of par value of VND10,000 each which were paid up in full on 31 October 2016. All the newly issued 3,985,190 ordinary shares were allotted and issued to PRG Holdings, FMSB (MY) and PGSB in proportion to their respective shareholdings in FVSC (VN) on 31 October 2016 and rank pari passu with the ordinary shares in issue immediately prior to the new issue.

On 27 April 2017, the registered and paid up charter capital of FVSC (VN) was increased from VND80,000,000,000 to VND147,000,000,000 by the creation of 6,700,000 new ordinary shares of par value of VND10,000 each all credited as fully paid up at par by way of capitalisation of the retained earnings of FVSC (VN) up to the extent of VND67,000,000,000. All the newly issued 6,700,000 ordinary shares were allotted and issued to PRG Holdings, FMSB (MY) and PGSB in proportion to their respective shareholdings in FVSC (VN) on 27 April 2017 and rank pari passu with the ordinary shares in issue immediately prior to the new issue.

*WTSB (MY)*

On 27 April 2017, WTSB (MY) allotted and issued 1 million new shares to PRG Holdings and its issued share capital was increased from RM0.25 million to RM32.25 million.

*FCV (VN)*

On 14 September 2017, the registered and paid up charter capital of FCV (VN) was increased by US\$1.31 million from US\$2.6 million to US\$3.91 million, which was contributed by Lubra in cash and paid in full on 8 August 2017. FCV (VN) ceased to be our subsidiary and became our associate on 14 September 2017. See “History, Reorganisation and Corporate Structure — Significant Shareholding Changes in Members of our Group during the Track Record Period and up to the Latest Practicable Date — FCV (VN)” in this prospectus for further details.

**7. Buy-back by our Company of our own securities**

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the buy-back by our Company of our own securities.

*(a) Shareholders' approval*

All proposed buy-backs of securities (which must be fully paid up in the case of shares) by a company listed on GEM must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

*(b) Source of funds*

Buy-backs must be paid out of funds legally available for the purpose in accordance with the Articles and the Companies Law. A listed company may not buy back its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any buy-backs by our Company may be made out of our profits, out of our Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the buy-back or, if so authorised by the Articles and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles and subject to the provisions of the Companies Law, out of capital.

*(c) Reasons for buy-backs*

Our Directors believe that it is in the best interest of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to buy back Shares in the market. Such buy-backs may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such buy-backs will benefit our Company and the Shareholders.

*(d) Funding of buy-backs*

In buying back securities, we may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position, our Directors consider that, if the Buy-back Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or our gearing position as compared to the position of our Group disclosed in this prospectus. However, our Directors do not propose to exercise the Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Buy-back Mandate, on the basis of 504,000,000 Shares in issue immediately after the Listing, would result in up to 50,400,000 Shares being bought back by our Company during the period in which the Buy-back Mandate remains in force.

*(e) General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-back Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities buy-back, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any buy-backs pursuant to the Buy-back Mandate.

Our Directors will not exercise the Buy-back Mandate if the buy-back would result in the number of Shares which are in the hands of the public falling below 25.0% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

No core connected person of our Company has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Buy-back Mandate is exercised.

#### **8. Registration under Part 16 of the Companies Ordinance**

Our Company has established a principal place of business in Hong Kong for the purpose of registration under Part 16 of the Companies Ordinance at 31st Floor, 148 Electric Road, North Point, Hong Kong. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. Mr. Kwok Siu Man, being our company secretary, has been appointed as agent of our Company for the acceptance of service of process in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its principal place of business in Hong Kong as set out above.



**FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP****9. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) a sale and purchase agreement dated 27 April 2017 entered into among FSWSB (MY) as purchaser, PGSB as vendor and FVSC (VN) as the company pursuant to which FSWSB (MY) acquired from PGSB 37 ordinary shares in FVSC (VN) at a cash consideration of VND370,000;
- (b) a sale and purchase agreement dated 27 April 2017 entered into among WTSB (MY) as purchaser, PRG Holdings as vendor and FVSC (VN) as the company pursuant to which WTSB (MY) acquired from PRG Holdings 14,699,926 ordinary shares in FVSC (VN) at a consideration of VND146,999,260,000 satisfied by the allotment and issue, credited as fully paid, of 897,072 shares in WTSB (MY) to PRG Holdings;
- (c) a sale and purchase agreement dated 18 April 2017 entered into among WTSB (MY) as purchaser, PRG Holdings as vendor and PEWAV (VN) as the company pursuant to which WTSB (MY) acquired from PRG Holdings the registered and paid up charter capital of PEWAV (VN) in the amount of US\$900,000 at a consideration of VND16,866,449,161 satisfied by the allotment and issue, credited as fully paid, of 102,928 shares in WTSB (MY) to PRG Holdings;
- (d) a share swap and restructuring agreement dated 28 April 2017 entered into between PRG Holdings as vendor and FIPB as purchaser pursuant to which FIPB acquired from PRG Holdings the entire issued share capital in FMSB (MY) in consideration of and in exchange for which FIPB allotted and issued, credited as fully paid, an aggregate of 39 shares in FIPB to PRG Holdings;
- (e) a share swap and restructuring agreement dated 28 April 2017 entered into between PRG Holdings as vendor and FIPB as purchaser, pursuant to which FIPB acquired from PRG Holdings the entire issued share capital in TMSB (MY) in consideration of and in exchange for which FIPB allotted and issued, credited as fully paid an aggregate of 11 shares in FIPB to PRG Holdings;
- (f) a share swap and restructuring agreement dated 28 April 2017 entered into between PRG Holdings as vendor and FIPB as purchaser, pursuant to which FIPB acquired from PRG Holdings the entire issued share capital in TSMSB (MY) in consideration of and in exchange for which FIPB allotted and issued, credited as fully paid an aggregate of 3 shares in FIPB to PRG Holdings;
- (g) a share swap and restructuring agreement dated 28 April 2017 entered into between PRG Holdings as vendor and FIPB as purchaser, pursuant to which FIPB acquired from PRG Holdings the entire issued share capital in WTSB (MY) in consideration of and in exchange for which FIPB allotted and issued, credited as fully paid an aggregate of 47 shares in FIPB to PRG Holdings;



- (h) a deed of mutual rescission and revocation dated 27 April 2017 entered into between FMSB (MY) as trustee and PRG Holdings as beneficiary pursuant to which the deed of trust and indemnity dated 23 December 2014 entered into between FMSB (MY) and PRG Holdings in respect of a motor vehicle with registration no. W1100W was revoked and terminated;
- (i) a deed of mutual rescission and revocation dated 27 April 2017 entered into between FMSB (MY) as trustee and PGSB as beneficiary pursuant to which the deed of trust and indemnity dated 23 December 2014 entered into between FMSB (MY) and PGSB in respect a motor vehicle with registration no. WA8228C was revoked and terminated;
- (j) a deed of mutual rescission and revocation dated 27 April 2017 entered into between FMSB (MY) as trustee and PRG Holdings as beneficiary pursuant to which the deed of trust and indemnity dated 23 December 2014 entered into between FMSB (MY) and PRG Holdings in respect of a motor vehicle with registration no. WA9620D was revoked and terminated;
- (k) 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;
- (l) 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, (i) Lubra contributed in cash an amount of US\$1,310,000 to the registered and paid up charter capital of FCV (VN); and (ii) 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);
- (m) a share purchase agreement dated 21 September 2017 entered into among PRG Holdings as vendor, our Company as purchaser, our Controlling Shareholder as warrantor and our Controlling Shareholder, non-executive Director and executive Directors as covenantors pursuant to which our Company acquired the entire issued share capital in FIPB in consideration of and in exchange for which our Company (i) allotted and issued, credited as fully paid, an aggregate of 19,000,000 new Shares to PRG Holdings; and (ii) credited as fully paid at par the 1,000,000 Share issued as nil paid which was registered in the name of PRG Holdings;
- (n) the Deed of Indemnity;
- (o) the Deed of Non-Competition; and
- (p) the Public Offer Underwriting Agreement.

## 10. Intellectual property rights of our Group

As at the Latest Practicable Date, we had registered the following trademarks property rights which are material in relation to our business.

### (a) Registered trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks which are material to our business:

| No. | Trademark                                                                           | Class | Registered owner | Place of registration | Registration number | Name of licensee | Duration of validity/licence          |
|-----|-------------------------------------------------------------------------------------|-------|------------------|-----------------------|---------------------|------------------|---------------------------------------|
| 1.  |    | 23    | FMSB (MY)        | Malaysia              | 08011730            | Not applicable   | From 16 June 2008 to 16 June 2018     |
| 2.  |    | 24    | FMSB (MY)        | Malaysia              | 08011729            | Not applicable   | From 16 June 2008 to 16 June 2018     |
| 3.  |   | 22    | FVSC (VN)        | Vietnam               | 242434              | Not applicable   | From 27 March 2015 to 14 October 2023 |
| 4.  |  | 26    | PEWAV (VN)       | Vietnam               | 248761              | Not applicable   | From 29 July 2015 to 14 October 2023  |

### (b) Trademarks under application for registration

As at the Latest Practicable Date, our Group had applied for the registration of the following trademarks which are material to our business:

| No. | Trademark                                                                           | Class | Applicant  | Place of application | Application number | Application Date |
|-----|-------------------------------------------------------------------------------------|-------|------------|----------------------|--------------------|------------------|
| 1.  |  | 12    | FSWSB (MY) | Malaysia             | 2017057345         | 27 April 2017    |
| 2.  |  | 10    | TMSB (MY)  | Malaysia             | 2017057347         | 27 April 2017    |

*(c) Domain names*

As at the Latest Practicable Date, our Group was the registrant of the following domain names which are material to our business:

| No. | Domain name           | Registrant | Registration date | Expiry date      |
|-----|-----------------------|------------|-------------------|------------------|
| 1.  | furniweb.com.my       | FMSB (MY)  | 6 September 1999  | 6 September 2018 |
| 2.  | texstrip.com.my       | FMSB (MY)  | 20 July 2004      | 20 July 2018     |
| 3.  | furniweb.com.vn       | FVSC (VN)  | 26 July 2004      | 26 July 2018     |
| 4.  | premierelastic.com.vn | PEWAV (VN) | 26 July 2004      | 26 July 2018     |

Save as disclosed in this prospectus, there are no trademarks, patents or other intellectual or industrial property rights which are material in relation to the business of our Group.

**11. Connected transactions and related party transactions**

Save as disclosed in Note 30 to the Accountant's Report, during the two years immediately preceding the date of this prospectus, we have not engaged in any other material connected transactions or related party transactions.

**FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS****12. Directors***(a) Disclosure of interests of Directors*

None of our Directors or their associates was engaged in any dealings with our Group during the two years immediately preceding the date of this prospectus.

*(b) Particulars of Directors' service contracts*

None of our Directors has entered into or proposes to enter into a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

Each of our executive Directors has entered into a service contract with our Company pursuant to which each of them agreed to act as an executive Director for an initial term of three years commencing from 20 September 2017, which shall be renewed and extended automatically for successive terms of one year upon expiry of the then current term. The appointment of each of our executive Directors may be terminated by either party by giving three months' written notice to the other.

Each of our executive Directors is entitled to a basic salary subject to an annual increment after 31 December 2017 at the discretion of our Directors of not more than 15.0% of the annual salary immediately prior to such increase. In addition, each of our executive Directors is also entitled to a discretionary management bonus for the financial year ending 31 December 2017 and onwards provided that the aggregate amount of the bonuses payable to all our executive Directors for any financial year of our Company may not exceed 15.0% of the audited consolidated or (if applicable) combined net profit of our Group (after taxation and minority interests and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of our Company. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him.

Each of our non-executive Director and independent non-executive Directors has been appointed for an initial term of two years commencing from 20 September 2017. The appointment of each of our non-executive Director and independent non-executive Directors may be terminated by either party by giving two months' written notice to the other. Save for directors' fees payable to our non-executive Director and independent non-executive Directors as stated in paragraph (c) immediately below, none of our non-executive Director and independent non-executive Directors is expected to receive any other remuneration for holding their office as non-executive Director and independent non-executive Director, respectively.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

*(c) Remuneration of Directors*

- (i) The basis annual salaries of our executive Directors and the basis annual director's fees of our non-executive Director and independent non-executive Directors are as follows:

| <b>Name</b>                                | <b>Annual amount<br/>RM</b> |
|--------------------------------------------|-----------------------------|
| <i>Non-executive Director</i>              |                             |
| Dato' Lim Heen Peok                        | 80,000                      |
| <i>Executive Directors</i>                 |                             |
| Mr. Cheah Eng Chuan                        | 735,000                     |
| Mr. Tan Chuan Dyi                          | 680,000                     |
| Dato' Lua Choon Hann                       | 300,000                     |
| <i>Independent non-executive Directors</i> |                             |
| Mr. Ho Ming Hon                            | 60,000                      |
| Dato' Dr. Hou Kok Chung                    | 60,000                      |
| Dato' Sri Wee Jeck Seng                    | 60,000                      |

The basic annual salaries and the basic annual director's fees may be reviewed annually after 31 December 2017 provided that the annual increment for executive Directors shall not be more than 15.0% of their respective salaries immediately prior to such increase.

- (ii) The executive Directors may be granted a discretionary management bonus for the financial year ending 31 December 2017 and onwards provided that the aggregate amount of bonuses for all our executive Directors for a financial year shall not exceed 15.0% of the audited consolidated or (if applicable) combined net profit of our Group (after taxation and minority interests and payment of such aggregated bonuses but before extraordinary or exceptional items) of that financial year.
- (iii) The aggregate of the remuneration paid and benefits in kind granted by our Company and other members of our Group to our Directors were approximately RM2.1 million and RM0.5 million in FY2016 and 1Q2017, respectively.
- (iv) Under the arrangements currently in force at the date of this prospectus, the aggregate of the remuneration (excluding contributions to pension schemes and discretionary bonus) payable by our Company and other members of our Group to, and benefits in kind receivable by our Directors (including our independent non-executive Directors) for the year ending 31 December 2017, are expected to be approximately RM1.6 million.
- (v) No amount was paid to, or receivable by, our Directors, for each of the two financial years of our Company immediately preceding the issue of this prospectus as an inducement to join or upon joining our Company.

- (vi) No compensation was paid to, or receivable by, our Directors (including past Directors) for each of the two financial years of our Company immediately preceding the issue of this prospectus for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (vii) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two financial years of our Company immediately preceding the issue of this prospectus.
- (d) *Interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Share Offer:*

Immediately following completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options as may be granted under the Share Option Scheme, the interests or short positions of our Directors or the chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules relating to securities transaction by directors to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

**(1) Long positions in the ordinary shares in our associated corporation**

| Name of Director     | Name of our associated corporation | Capacity/<br>nature of interest | Number and class of securities<br>(Note 1) | Approximate percentage of shareholding |
|----------------------|------------------------------------|---------------------------------|--------------------------------------------|----------------------------------------|
| Dato' Lim Heen Peek  | PRG Holdings<br>(Note 2)           | Beneficial owner                | 108,800 shares of RM0.25 each (L)          | 0.04%                                  |
| Mr. Cheah Eng Chuan  | PRG Holdings<br>(Note 2)           | Beneficial owner                | 15,742,716 shares of RM0.25 each (L)       | 5.24%                                  |
| Mr. Tan Chuan Dyi    | PRG Holdings<br>(Note 2)           | Beneficial owner                | 62,000 shares of RM0.25 each (L)           | 0.02%                                  |
| Dato' Lua Choon Hann | PRG Holdings<br>(Note 2)           | Beneficial owner                | 52,842,000 shares of RM0.25 each (L)       | 17.60%                                 |

*Notes:*

- The letter "L" denotes the long position of the Director in the shares in PRG Holdings.
- PRG Holdings is the holding company of our Company and our associated corporation within the meaning under Part XV of the SFO.

**(2) Long position (in respect of equity derivatives) in underlying shares in our associated corporation***Warrants (Note 3)*

| Name of Director     | Name of our associated corporation | Capacity/<br>nature of interest | Number and class of securities which may fall to be allotted and issued upon exercise of the warrants<br>(Note 1) | Approximate percentage of shareholding |
|----------------------|------------------------------------|---------------------------------|-------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| Dato' Lim Heen Peek  | PRG Holdings<br>(Note 2)           | Beneficial owner                | 40,800 shares of RM0.25 each (L)                                                                                  | 0.04%                                  |
| Dato' Lua Choon Hann | PRG Holdings<br>(Note 2)           | Beneficial owner                | 20,953,100 shares of RM0.25 each (L)                                                                              | 20.37%                                 |
| Cheah Eng Chuan      | PRG Holdings<br>(Note 2)           | Beneficial owner                | 5,603,518 shares of RM0.25 each (L)                                                                               | 5.71%                                  |

*Notes:*

1. The letter "L" denotes the long position of the Director in the underlying shares in PRG Holdings.
2. PRG Holdings is the holding company of our Company and our associated corporation within the meaning under Part XV of the SFO.
3. The warrants were issued by PRG Holdings pursuant to a deed poll dated 2 June 2014 which entitle the registered holders thereof to subscribe for new ordinary shares in PRG Holdings at the adjusted exercise price of RM0.375 each (subject to adjustment pursuant to the terms of the deed poll) within a period of five years commencing on the date of issue of the warrants (that is, 7 July 2014).

**13. Interest discloseable under the SFO and the substantial shareholders**

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be taken up or acquired under the Share Offer and any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), other than our Directors or the chief executive of our Company whose interests (if any) are disclosed in subparagraph "12. Directors — (d) Interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Share Offer" of this Appendix, the following person had and will have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly, interested in 10% or more of the total number of shares in any class of share capital carrying rights to vote in all circumstances at general meetings of any of our subsidiaries:

*Interests and short positions in our Company*

| <b>Name of Shareholder</b> | <b>Capacity/Nature of interest</b> | <b>Number and class of securities</b> | <b>Approximate percentage of shareholding<br/>(Note 1)</b> |
|----------------------------|------------------------------------|---------------------------------------|------------------------------------------------------------|
| PRG Holdings (Note 2 & 3)  | Beneficial owner                   | 378,000,000<br>Shares (L)             | 75.0%                                                      |

*Notes:*

- (1) The letter “L” denotes the person’s long position (as defined under Part XV of the SFO) in the Shares.
- (2) PRG Holdings is a company incorporated in Malaysia and whose shares are listed on the Main Market of Bursa Malaysia.
- (3) Dato’ Lua Choon Hann, our executive Director, is the group managing director of PRG Holdings.

**14. Disclaimers**

Save as disclosed in this prospectus:

- (a) taking no account of any Shares which may be taken up or acquired under the Share Offer or any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the Share Offer and the Capitalisation Issue will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10% or more of the total number of shares of any class of share capital carrying rights to vote in all circumstances at general meetings of our subsidiaries;
- (b) none of our Directors and the chief executive of our Company has any interest or short position in any of the Shares, underlying Shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, in each case once the Shares are listed;
- (c) none of our Directors nor any of the experts referred to in sub-paragraph 22 below of this Appendix has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;



- (d) none of our Directors nor any of the experts referred to in sub-paragraph 22 below of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group; and
- (e) save in connection with the Underwriting Agreements, none of the experts referred to in sub-paragraph 22 below of this Appendix:
  - (i) is interested legally or beneficially in any securities of any member of our Group; or
  - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

## OTHER INFORMATION

### 15. Share Option Scheme

#### *(a) Summary of terms*

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by our sole Shareholder on 20 September 2017. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

#### *(i) Purposes of the scheme*

The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward the employees, our Directors and other selected participants for their contributions to us. Given that our Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the GEM Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of us so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

#### *(ii) Who may join*

Our Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity (“**Invested Entity**”) in which any member of us holds an equity interest;
- (bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of us or any Invested Entity;

- (dd) any customer of any member of us or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of us or any Invested Entity;
- (ff) any shareholder of any member of us or any Invested Entity or any holder of any securities issued by any member of us or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of us or any Invested Entity;
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of us;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of us to any person who falls within any of the above classes of participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of us.

*(iii) Maximum number of the Shares*

- (aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by us must not in aggregate exceed 30.0% of the number of Shares of our Company in issue from time to time.
- (bb) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of us) to be granted under the Share Option Scheme and any other share option scheme of us must not in aggregate exceed 10.0% of the number of the Shares in issue on the Listing Date, being 50,400,000 Shares (“**General Scheme Limit**”).
- (cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of us must not exceed 10.0% of the number of the Shares in issue as at the date of approval of the refreshed limit and, for the purpose of calculating the refreshed limit, options (including those outstanding,

cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of us) previously granted under the Share Option Scheme and any other share option scheme of us will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, the information required under Rule 23.02(2) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

- (dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 23.02(2) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

*(iv) Maximum entitlement of each participant*

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of us (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1.0% of the number of the Shares in issue for the time being (“**Individual Limit**”). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant representing in aggregate over 1.0% of the Shares in issue, such further grant must be separately approved by the Shareholders in general meeting of our Company with such grantee and his close associates (or his associates if such grantee is a connected person of the Company) abstaining from voting. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the Shareholders and the date of our Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 23.03(9) of the GEM Listing Rules.

*(v) Grant of options to our Directors, chief executive or substantial shareholders of our Company or their respective associates*

- (aa) Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by independent non-executive Directors (excluding independent non-executive Director who or whose associates is the proposed grantee of the options).
- (bb) Where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
  - (i) representing in aggregate over 0.1% of the Shares in issue; and

- (ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders in general meeting. Our Company must send a circular to the Shareholders. Such grantees, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting, except that any core connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting.

*(vi) Time of acceptance and exercise of option*

An offer of grant of the option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

*(vii) Performance targets*

Unless our Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

*(viii) Subscription price for the Shares and consideration for the option*

The subscription price for the Shares under the Share Option Scheme shall be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

*(ix) Ranking of the Shares*

The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members (the “**Exercise Date**”) and

accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been entered on the register of members of our Company as the holder thereof.

Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

*(x) Restrictions on the time of the offer for the grant of options*

No offer for grant of options shall be made after inside information has come to our Company’s knowledge until such inside information has been announced in accordance with the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company’s results for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and (bb) the deadline for our Company to announce our results for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, no offer for the grant of options may be made.

Our Directors may not make any offer for the grant of option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

*(xi) Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

*(xii) Rights on ceasing employment*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than his death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date falling 30 days following the date of such cessation and shall not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the expiry of the 30-day period from the date of such cessation or termination, which will be taken to be the last day on which the grantee was actually at work with us or our relevant subsidiaries the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full-time or part-time employee, including any executive director but not any non-executive director) of our Company, any of our subsidiaries or any Invested Entity.

*(xiii) Rights on death, ill-health or retirement*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with us or our relevant subsidiaries or the Invested Entity whether salary is paid in lieu of notice or not, or such longer period as our Directors may determine.

*(xiv) Rights on dismissal*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or us or our subsidiaries or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

*(xv) Rights on breach of contract*

If our Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and us or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of us by reason of the cessation of its relations with us or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which our Directors have so determined.

*(xvi) Rights on a general offer, a compromise or arrangement*

If a general or partial offer, whether by way of take-over offer, share buy-back offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to shareholders, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent

specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

*(xvii) Rights on winding up*

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

*(xviii) Grantee being a company wholly owned by eligible participants*

If the grantee is a company wholly owned by one or more eligible participants:

- (aa) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and
- (bb) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as our Directors may impose.

*(xix) Adjustments to the subscription price*

In the event of a Capitalisation Issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company while an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number of Shares to which the Share Option Scheme or any option relates (insofar as it is/ they are unexercised) and/or the subscription price of the option concerned and/or (unless the grantee of the option elects to waive such adjustment) the number of Shares comprised in an option or which remains comprised in an option, provided that (aa) any adjustments shall give a grantee the same proportion of the number of the issued share to which he was entitled



prior to such alteration; (bb) no alteration shall be made to the extent that a share would be issued at less than its nominal value; (cc) the issue of Shares or other securities of us as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (dd) any adjustment must be made in compliance with the GEM Listing Rules and such rules, codes and guidance notes and/or interpretation of the GEM Listing Rules from time to time promulgated by the Stock Exchange. In addition, in respect of any such adjustments, other than any adjustment made on a Capitalisation Issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules.

*(xx) Cancellation of options*

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of our Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant sub-paragraphs (iii) (cc) and (dd) above.

*(xxi) Termination of the Share Option Scheme*

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

*(xxii) Rights are personal to the grantee*

An option is personal to the grantee and shall not be transferable or assignable.

*(xxiii) Lapse of option*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the option period in respect of such option;
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and
- (cc) the date on which our Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.



*(xxiv) Miscellaneous*

- (aa) The Share Option Scheme is conditional on the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.
- (ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the shareholders of our Company in general meeting.

*(b) Present status of the Share Option Scheme**(i) Approval of the Stock Exchange required*

The Share Option Scheme is conditional on the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

*(ii) Application for approval*

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

*(iii) Grant of option*

As at the date of this prospectus, no options have been granted or agreed to be granted by our Company under the Share Option Scheme.

*(iv) Value of options*

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the

exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

#### 16. Tax and other indemnities

PRG Holdings (the “**Indemnifier**”) has entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of our present subsidiaries and FCV (VN), collectively “**Our Group**”) (being one of the material contracts referred to in sub-paragraph “9. Summary of material contracts” of this Appendix) to provide indemnities in respect of, among other matters, tax liabilities (including all costs, interest, fines, penalties, charges, surcharges, liabilities and expenses incidental or relating to taxation) which might be payable by any member of Our Group, or taxation claims which any member of Our Group are liable or sought to be made liable, in respect of any income, profits or gains, earned, accrued or received, estate duty, as well as any penalties and claims to which any member of Our Group may be subject on or before the Listing Date, or events or transactions entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifier is under no liability under the Deed of Indemnity in respect of any taxation liability or claims mentioned above:

- (i) to the extent that provision has been made for such taxation liabilities or claims in the audited accounts of any member of Our Group up to the end of the Track Record Period;
- (ii) to the extent that such taxation liabilities or claims falling on any of the members of Our Group in respect of any accounting period commencing after the Track Record Period and ended on the Listing Date, where such taxation liabilities or claims would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of Our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifier, other than any such act, omission or transaction:
  - (aa) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Track Record Period; or
  - (bb) carried out, made or entered into pursuant to a legally binding commitment created before the end of the Track Record Period or pursuant to any statement of intention made in this prospectus; or
- (iii) to the extent that such taxation liabilities or claims arises or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by any taxation or other relevant authority in any part of the world coming into force after the date of the Deed of Indemnity or to the extent that such taxation liabilities or claims arises or are increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or
- (iv) to the extent that any provision or reserve made for taxation in the audited accounts of any member of Our Group up to the end of the Track Record Period and which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifier’s

liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifier's liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, the Indemnifier has also undertaken to us that it will indemnify and at all times keeps us fully indemnified from any depletion in or reduction in value of assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of Our Group may incur or suffer arising from or in connection with any of the following matters (collectively, the “**Indemnified Matters**”):

- (a) the implementation of the Reorganisation; and
- (b) all possible alleged or actual breaches, non-compliance and/or violation of, by any member of Our Group on or before the Listing Date, any applicable laws, rules, regulations, administrative orders and/or measures of Malaysia and/or Vietnam, including but not limited to all the matters as referred to in the paragraph headed “Legal Compliance” in the “Business” section of this prospectus,

provided that the Indemnifier is under no liability under the Deed of Indemnity in respect of the Indemnified Matters:

- (i) to the extent that provision or reserve has been made for the relevant Indemnified Matters in the audited accounts of any member of Our Group for any accounting period up to the end of the Track Record Period; or
- (ii) to the extent that any provision or reserve made for the Indemnified Matters in the audited accounts of any member of Our Group for any accounting period up to the end of the Track Record Period which is finally established to be over-provision or an excessive reserve, in which case the Indemnifier's liability (if any) in respect of the Indemnified Matters shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied to reduce the Indemnifier's liability in respect of the Indemnified Matters shall not be available in respect of any such liability arising thereafter.

#### **17. Litigation, arbitration and claim of material importance**

As at the Latest Practicable Date, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on our results of operations or financial condition.

#### **18. Preliminary expenses**

The preliminary expenses of our Company are estimated to be approximately HK\$66,000 and are payable by our Company.

#### **19. Promoter**

- (a) Our Company does not have any promoter for the purpose of the GEM Listing Rules.

- (b) Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoters of our Company in connection with the Share Offer or the related transactions described in this prospectus

## 20. Agency fees or commissions received

Except as disclosed in “Underwriting — Underwriting Arrangements and Expenses — Fees, Commission and Expenses” in this prospectus, no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

## 21. The Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme, being 10% of the Shares in issue on the Listing Date, on GEM. All necessary arrangements have been made to enable the securities to be admitted into CCASS. The Sole Sponsor is independent from our Company pursuant to Rule 6A.07 of the GEM Listing Rules. The Sole Sponsor’s fees payable by us in respect of the Sole Sponsor’s service as sole sponsor for the Listing is HK\$4.4 million (excluding any disbursements).

## 22. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

| Name                                    | Qualification                                                                                                                                                                                       |
|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| BDO Limited                             | Certified Public Accountants                                                                                                                                                                        |
| Conyers Dill & Pearman                  | Legal advisers as to Cayman Islands and British Virgin Islands law to our Company                                                                                                                   |
| DLA Piper UK LLP                        | Legal advisers to our Company as to International Sanctions                                                                                                                                         |
| Frost & Sullivan International Limited  | Industry consultant                                                                                                                                                                                 |
| Greater China Appraisal Limited         | Property valuer                                                                                                                                                                                     |
| Peter Ling & van Geyzel                 | Legal advisers as to Malaysian law to our Company                                                                                                                                                   |
| RHTLaw Taylor Wessing Vietnam           | Legal advisers as to Vietnamese law to our Company                                                                                                                                                  |
| Shenwan Hongyuan Capital (H.K.) Limited | Licensed corporation under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO |

**23. Consents of experts**

Each of the experts referred to in sub-paragraph 22 above of this Appendix has given and has not withdrawn its written consents to the issue of this prospectus with the inclusion of its opinion, advice, report, valuation, letter or an extract therefrom (as the case may be), all of which are dated the date of this prospectus, and the references to its name in the form and context in which they are respectively included.

**24. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**25. Taxation of holders of Shares**

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is chargeable on each of the purchaser and the seller is 0.1% of the consideration or, if higher, the value of the Shares being sold or transferred.

Certain stamp duties may be applicable, from time to time, on certain instruments executed in or brought into the Cayman Islands. No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands exempted companies except those which hold interests in land in the Cayman Islands.

**26. Miscellaneous**

(a) Save as disclosed in this prospectus:

(i) within two years immediately preceding the date of this prospectus:

- (aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and
- (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

- (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;
- (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
- (b) our Directors confirm that, save as disclosed in “Financial Information — Principal Income Statement Components — Listing expenses” in this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since the end of the Track Record Period (being the end of the period reported on in the Accountant’s Report);
- (c) our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
- (d) none of the equity and debt securities of our Company is listed or dealt in on any other stock exchange or on which listing or permission to deal is being or is proposed to be sought;
- (e) there are no arrangements under which future dividends are waived or agreed to be waived; and
- (f) none of the members of our Group has any outstanding securities or debentures.

## **27. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses for Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Selected financial information of our subsidiaries for FY2014, FY2015 and FY2016 which have not been audited by our reporting accountant in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants is set out below for illustrative purposes:

|                                 | Year ended 31 December |                |                |
|---------------------------------|------------------------|----------------|----------------|
|                                 | 2014<br>RM'000         | 2015<br>RM'000 | 2016<br>RM'000 |
| <b>Subsidiaries in Malaysia</b> |                        |                |                |
| TMSB (MY)                       |                        |                |                |
| Revenue                         | 11,993                 | 8,428          | 6,679          |
| Profit before tax               | 1,418                  | 772            | 266            |
| Profit after tax                | 1,147                  | 600            | 253            |
| FMSB (MY)                       |                        |                |                |
| Revenue                         | 15,074                 | 15,007         | 14,940         |
| Profit before tax               | 1,158                  | 780            | 610            |
| Profit after tax                | 1,056                  | 420            | 726            |
| WTSB (MY)                       |                        |                |                |
| Revenue                         | 473                    | 387            | 31             |
| Profit before tax               | 23                     | 51             | 4              |
| Profit after tax                | 14                     | 34             | 5              |
| TSMSB (MY)                      |                        |                |                |
| Revenue                         | —                      | —              | —              |
| Profit/(loss) before tax        | 54                     | 139            | (2)            |
| Profit/(loss) after tax         | 54                     | 139            | (2)            |
| SSKSB (MY)                      |                        |                |                |
| Revenue                         | 18                     | 18             | 18             |
| Loss before tax                 | (26)                   | (39)           | (30)           |
| Loss after tax                  | (19)                   | (32)           | (24)           |
| FSWSB (MY)                      |                        |                |                |
| Revenue                         | 10,509                 | 10,297         | 13,401         |
| (Loss)/profit before tax        | (28)                   | 729            | 2,071          |
| Profit after tax                | 37                     | 558            | 1,587          |

|                                | Year ended 31 December |             |             |
|--------------------------------|------------------------|-------------|-------------|
|                                | 2014                   | 2015        | 2016        |
|                                | VND'000                | VND'000     | VND'000     |
| <b>Subsidiaries in Vietnam</b> |                        |             |             |
| FVSC (VN)                      |                        |             |             |
| Revenue                        | 176,353,027            | 169,963,581 | 170,806,047 |
| Profit before tax              | 31,627,509             | 26,914,069  | 33,789,873  |
| Profit after tax               | 26,747,815             | 22,420,375  | 28,695,537  |
| FCV (VN)                       |                        |             |             |
| Revenue                        | 34,108,761             | 26,630,903  | 33,169,765  |
| Loss before tax                | (3,205,988)            | (8,130,209) | (4,749,416) |
| Loss after tax                 | (3,205,988)            | (8,130,209) | (4,749,416) |
| PEWAV (VN)                     |                        |             |             |
| Revenue                        | 99,649,656             | 117,402,177 | 140,993,589 |
| Profit before tax              | 2,359,488              | 4,594,343   | 12,407,801  |
| Profit after tax               | 2,359,488              | 4,594,343   | 12,352,910  |



## **DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE** and **YELLOW** Application Forms; (ii) the written consents referred to in “Statutory and General Information — Other Information — 23. Consents of experts”; and (iii) copies of the material contracts referred to in “Statutory and General Information — Further Information about the Business of our Group — 9. Summary of material contracts” in Appendix V to this prospectus.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Chiu & Partners at 40/F, Jardine House, 1 Connaught Place, Central, Hong Kong, during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including 13 October 2017:

- (a) the Memorandum and the Articles;
- (b) the Accountant’s Report of our Group prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the audited combined financial statements of our Group for FY2015, FY2016 and 1Q2017;
- (d) the report from BDO Limited on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the valuation report (including a letter, a summary of values and valuation certificates) relating to the property interests of our Group prepared by Greater China Appraisal Limited, the text of which is set out in Appendix III to this prospectus;
- (f) the industry report prepared by Frost & Sullivan referred to in “Industry Overview” in this prospectus;
- (g) the letter prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands Companies Law referred to in “Summary of the Constitution of our Company and the Cayman Islands Companies Law” in Appendix IV to this prospectus;
- (h) the Companies Law;
- (i) the legal opinions issued by our Malaysian Legal Advisers in respect of certain aspects of our Group, our property interests in Malaysia, the maximum permitted overtime working hours of employees in Malaysia and summary of the Malaysian laws and regulations relating to our businesses in Malaysia as referred to in this prospectus;
- (j) the legal opinion issued by our Vietnamese Legal Advisers in respect of certain aspects of our Group, our property interests in Vietnam, the maximum permitted working hours of employees in Vietnam and summary of the Vietnamese laws and regulations relating to our businesses in Vietnam as referred to in this prospectus;
- (k) the sanctions memorandum in respect of International Sanctions prepared by our International Sanctions Legal Advisers;

|                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------|
| <b>APPENDIX VII      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES<br/>IN HONG KONG AND AVAILABLE FOR INSPECTION</b> |
|--------------------------------------------------------------------------------------------------------------------------|

- (l) the material contracts referred to in “Statutory and General Information — Further Information about the Business of the Group — 9. Summary of material contracts” in Appendix V to this prospectus;
- (m) the service contracts referred to in “Statutory and General Information — Further information about our Directors and Substantial Shareholders — 12. Directors — (b) Particulars of Directors’ service contracts” in Appendix V to this prospectus;
- (n) the rules of the Share Option Scheme referred to in “Statutory and General Information — Other information — 15. Share Option Scheme” in Appendix V to this prospectus; and
- (o) the written consents referred to in “Statutory and General Information — Other Information — 23. Consents of experts” in Appendix V to this prospectus.

**FURNIWEB HOLDINGS LIMITED**  
**飛霓控股有限公司**