FURNIWEB HOLDINGS LIMITED
飛霓控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8480

Annual Report 2017

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Corporate Information

BOARD OF DIRECTORS

Chairman and Non-Executive Director
Dato' Lim Heen Peok

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

Independent Non-Executive Directors
Mr. Ho Ming Hon
Dato' Sri Wee Jeck Seng
Dato' Dr. Hou Kok Chung

BOARD COMMITTEES

Audit Committee
Mr. Ho Ming Hon *(chairman)*
Dato' Dr. Hou Kok Chung
Dato' Sri Wee Jeck Seng

Remuneration Committee
Dato' Sri Wee Jeck Seng *(chairman)*
Mr. Ho Ming Hon
Dato' Dr. Hou Kok Chung
Dato' Lua Choon Hann

Nomination Committee
Dato' Dr. Hou Kok Chung *(chairman)*
Mr. Ho Ming Hon
Dato' Sri Wee Jeck Seng
Mr. Cheah Eng Chuan

Risk Management Committee
Mr. Ho Ming Hon *(chairman)*
Dato' Sri Wee Jeck Seng
Mr. Tan Chuan Dyi

COMPLIANCE OFFICER
Mr. Tan Chuan Dyi

AUTHORISED REPRESENTATIVE
(for the purpose of the GEM Listing Rules)
Mr. Tan Chuan Dyi
Dato' Lua Choon Hann

PRINCIPAL BANKERS
China Construction Bank (Asia) Corporation Limited
Hong Leong Bank Berhad
Public Bank Berhad
Public Bank Vietnam
Vietcombank

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Malaysia

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
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COMPANY SECRETARY
Mr. Kwok Siu Man
(Fellow of The Hong Kong Institute of Chartered Secretaries)

COMPLIANCE ADVISER
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COMPANY WEBSITE
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GEM STOCK CODE
8480

Chairman's Statement

Dear Valued Shareholders,

On behalf of the Board of Directors (the "**Board**") of Furniweb Holdings Limited, it is my pleasure to present the first annual report of the Group for the financial year ended 31 December 2017 ("**Financial Year**").

CORPORATE DEVELOPMENT

The first significant event was the listing of the shares of the Company on the GEM of the Stock Exchange. This was successfully accomplished on 16 October 2017 (the "**Listing**") and the net proceeds from the Listing amounted to HK$35.6 million will be utilised to strengthen the production capabilities of the Group and build its products and markets globally.

During the Financial Year, the Group disposed part of its interest in Furnitech Components (Vietnam) Co., Ltd. ("**FCV (VN)**") through a share purchase agreement entered into with, among others, Lubra Beteiligungsgesellschaft mbH ("**Lubra**"), a company incorporated in Germany. The Group retains 45.06 % of FCV (VN), which now becomes an associate of the Group. The benefits from introducing Lubra as a shareholder of FCV (VN) will be the transfer of technology in areas of new products, engineering and production as well as potential new markets. This will also help build the brand of FCV (VN) products.

PERFORMANCE REVIEW

For the Financial Year, the revenue of the Group increased by approximately RM11.8 million, or 12.1% to approximately RM109.7 million. The increase in revenue was primarily attributable to higher sales order from elastic textile and webbing products. Profit for the Financial Year amounted to approximately RM8.6 million, which represented an increase of approximately RM1.9 million or 28.4% as compared to last year. The increase was also due to a one-off recognition of gain on disposal of a subsidiary of RM6.8 million mitigated by the non-recurring listing expenses of approximately RM7.2 million recognised in administrative expenses in the Financial Year, which represented an increase of approximately RM4.8 million as compared to the listing expenses of RM2.4 million recognised in last year. This performance was achieved against a backdrop of worldwide economic and political volatility.

OUTLOOK

The International Monetary Fund, in its world economic outlook, forecasts a global growth rate of 3.7% for 2018. Global trade activities are progressively strengthening, underpinned by a faster and broader-based growth in the advanced economies of United States ("**US**"), Eurozone, and Japan. The growth in these regions is fuelled by private consumption, business investment and external demand in their respective economies. In addition, the emerging economies of China, India, South Korea and ASEAN nations during the Financial Year also contributed positively to the global growth forecast.

However, the recent trade policies announced by the US, such as increasing tariffs on steel and aluminium imports and global worries over an emerging "trade war", may cause uncertainty to the market. It is also expected that the global financial market remains volatile for the coming 2018. Despite these external threats, the Group is cautiously optimistic about its business prospects and will continue to be prudent, focusing on building our capabilities and competitiveness over the mid and long term horizon.

Chairman's Statement

APPRECIATION

On behalf of the Board, I wish to express our appreciation to the management and all members of the Group for their dedication, hard work and contribution to the Group, particularly the time and effort in preparing for the Listing.

Last but not least, I would also like to express our heartfelt thanks to our valued customers, shareholders, business associates, and partners for the support extended to the Group. I am confident that we can continue to build and nurture our desire to bring prosperity to all.

Thank you.

Dato' Lim Heen Peok
Chairman

Management Discussion and Analysis

BUSINESS REVIEW

The Group is a long established elastic textile and webbing manufacturer in Malaysia and Vietnam. The products are manufactured and sold in Malaysia and Vietnam, and also exported to over 30 countries including the United States, the United Kingdom, India, Indonesia, Australia, Sri Lanka and Pakistan.

The business model of the Group has remained unchanged and the revenue and cost structure had remained stable during the Financial Year. Although the elastic textile and webbing market are highly competitive, the Group will implement various strategies as stated in the prospectus of the Company dated 29 September 2017 (the "**Prospectus**") with the intention to strengthen its market position as well as to increase its market share. The Group will closely monitor the market situations and make necessary adjustments to its strategies and operations.

(i) Elastic Textile

For the Financial Year, the revenue of elastic textile increased by RM5.2 million or 9.7% as compared to last year. The increase was mainly due to increased sales volume in covered elastic yarn by 12.8%. For narrow elastic fabric, the revenue increased by 6.5% despite the decrease in sales volume as compared to last year due to the products produced by needle weaving process having a higher unit price as compared to those produced by the knitting process.

(ii) Webbing

Revenue from furniture webbing and seat belt webbing increased by RM5.8 million or 18.0% as compared to last year in aggregate. This was mainly attributable to the increased sales volume as well as change in sales mix for higher specification products.

(iii) Other Products

During the Financial Year, the revenue of other products increased by RM0.9 million or 6.9%, mainly contributed by the increase in sales volume of rubber tapes products. This was mainly driven by the sales to a major customer in the US who procured higher priced rubber tapes for medical disposable products. The revenue of the metal components for furniture dropped by 42.1% as compared to last year. As disclosed in the Prospectus, FCV (VN), a then subsidiary of the Company, which sells metal components for furniture, has became an associate of the Company since 14 September 2017 in which the Company has an indirect interest of 45.06%.

As at 31 December 2017, the Group's production capacities were similar to last year's level except for narrow elastic fabric, increased by 11.6%, to 95.4 million meters. The capacities utilisation rate was also increased which was in line with increasing sales volume for the Financial Year.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Financial Year amounted to RM109.7 million, representing an increase of RM11.8 million or 12.1% as compared with RM97.9 million for last year. Majority of the Group's revenue was attributable to elastic textile and webbing products for both periods, which accounted for approximately 53.3% and 34.4% of the total revenue respectively during the Financial Year and 54.4% and 32.7% respectively during the year ended 31 December 2016.

During the Financial Year, domestic sales and export sales accounted for around 43.1% and 56.9% (2016: 46.1% and 53.9%) of the revenue, respectively. Asia Pacific region (excluding Malaysia and Vietnam), Europe and North America continue to be the major export countries of the Group during the Financial Year.

The increase in revenue was mainly due to increased sales volume of covered elastic yarn and webbing products as well as sales of high specification narrow elastic fabric products with higher selling price.

Management Discussion and Analysis

Cost of Sales

For the Financial Year, the cost of sales of the Group amounted to RM79.5 million (2016: RM71.1 million), representing an increase of RM8.4 million or 11.8% compared to last year. The increase of the cost of sales was in line with the increase in revenue.

Gross Profit and Gross Profit Margin

For the Financial Year, the Group achieved a gross profit of approximately RM30.2 million (2016: RM26.9 million), representing an increase of RM3.3 million or 12.3% as compared to last year.

The gross profit margin of the Group remained stable at 27.5% (2016: 27.4%).

Other Income, net

During the Financial Year, the Group disposed part of its interest in FCV (VN) on 14 September 2017 and recognised a gain on disposal of RM6.8 million. Thereafter, FCV (VN) became an associate of the Company and is accounted for by equity accounting.

The other income was mitigated by higher losses arising from unrealised and realised foreign exchange of RM0.5 million and RM0.6 million respectively. The foreign exchange loss was mainly due to RM being strengthened against United States dollar ("**USD**") during the Financial Year by 9.8% (December 2017: USD1: RM4.0475; December 2016: USD1: RM4.486). The strengthening of RM against USD accelerated in November and December 2017 by 4.3% (October 2017: USD1: RM4.231; November 2017: USD1: RM4.0875), giving rise to an unrealised translation loss of RM0.5 million. The Group recorded unrealised and realised foreign exchange gain of RM0.2 million and RM49,000 in last year, respectively.

Distribution Costs

For the Financial Year, the distribution costs of the Group amounted to RM3.0 million (2016: RM2.6 million), representing an increase of RM0.4 million or 15.4% compared to last year. The increase was mainly due to the increase in transportation expenses and customs declaration charges during the Financial Year which was in line with the increase in revenue.

Administrative Expenses

The administrative expenses mainly included salaries for management and administrative staff, depreciation of property, plant and equipment not directly used for production, and other miscellaneous expenses.

For the Financial Year, the administrative expenses of the Group amounted to RM22.4 million (2016: RM16.7 million), representing an increase of RM5.7 million or 34.1% compared to last year. The increase was mainly due to the recognition of the listing expenses (including professional fees and other expenses) of approximately RM7.2 million (2016: RM2.4 million) during the Financial Year. Excluding the listing expenses, the increase in administrative expenses would have increased by RM0.9 million or 6.3% which was mainly due to a general increase in salary as well as additional expenses for the administration of the listed company.

Profit for the Financial Year

The profit for the Financial Year amounted to RM8.6 million (2016: RM6.7 million), representing an increase of approximately RM1.9 million or 28.4% as compared to last year. Should the listing expenses of RM7.2 million (2016: RM2.4 million) and gain on disposal of part of the Group's interest in FCV (VN) of RM6.8 million (2016: NIL) be excluded, the Group would record an adjusted profit of RM9.0 million (2016: RM9.1 million), representing a marginal decrease of RM0.1 million or 1.1% as compared to last year.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

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

The Group adopts a prudent cash and financial management policy. The Group's cash, mainly denominated in USD, RM and VND, are generally deposited with certain financial institutions such as bank. The Group's borrowings are mainly denominated in USD, RM and VND.

As at 31 December 2017, the Group's total equity attributable to owners of the Company amounted to RM97.6 million (2016: RM76.0 million).

The Group's net current assets was approximately RM67.4 million (2016: RM37.8 million) and the Group had cash and cash equivalents of approximately RM36.4 million (2016: RM15.4 million). The Group had bank borrowings and finance lease obligations of approximately RM10.6 million (2016: RM11.6 million) and RM0.6 million (2016: RM0.9 million) respectively.

The interest rates of the Group's term loans and bank overdraft as at 31 December 2017 and 2016 ranged from 3.50% to 8.79% and 3.25% to 8.45% per annum respectively.

As at 31 December 2017, the Group's current ratio (calculated by dividing current assets by current liabilities as at the end of the year) was approximately 5.4 times (2016: 2.1 times). The Group's gearing ratio (calculated by dividing total debt by total equity as at the end of the year) was approximately 11.4% (2016: 16.4%).

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

CAPITAL STRUCTURE

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

DIVIDEND

The Directors do not recommend the payment of any final dividend for the Financial Year.

SIGNIFICANT INVESTMENT HELD BY THE GROUP

As at 31 December 2017, there was no significant investment held by the Group (2016: Nil).

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

The companies comprising the Group underwent the Reorganisation to rationalise the Group's structure in preparation for the Listing. Details of the Reorganisation were set out in the section headed "History, Reorganisation and Corporate Structure" of the Prospectus.

During the Financial Year, the Group disposed part of its interest in FCV (VN) on 14 September 2017 and recognised a gain on disposal of RM6.8 million. Thereafter, FCV (VN) became an associate of the Company and is accounted for by equity accounting.

PLEDGE OF ASSETS

As at 31 December 2017 and 2016, freehold land, long term leasehold land, buildings and certain plant and machinery of the Group with carrying amount of RM25,133,000 and RM30,515,000 respectively are pledged to licensed banks as security for credit facilities granted to the Group.

Management Discussion and Analysis

FUTURE PLAN FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed above and in the Prospectus, the Group does not have other plans for material investments and capital assets for the year ending 31 December 2018 as at the date of this report.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

As at 31 December 2017, the Group had no capital commitments (2016: RM0.7 million for the acquisition of production machinery).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group employed 912 employees (2016: 1,031 employees, of which 119 employees were staff of FCV(VN), which ceased to be a subsidiary of the Company on 14 September 2017 and became an associate of the Company since then. Excluding the number of staff of FCV (VN), the Group maintained the same level of staff as at 31 December 2017 and 2016. Employee costs amounted to approximately RM31.5 million for the Financial Year (2016: approximately RM28.9 million). The Group will endeavor to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' remuneration is determined based on their performance. The Company has also adopted a share option scheme (the "**Share Option Scheme**") with a primary purpose to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Company. As at 31 December 2017, no share options have been granted under the Share Option Scheme.

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

FOREIGN CURRENCY RISK

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

SUBSEQUENT EVENTS

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2017 and up to the date of this report.

COMPARISON OF BUSINESS OBJECTIVES AND STRATEGIES WITH ACTUAL BUSINESS PROGRESS

The principal business objective of the Group is to enhance our market share in the elastic textile and webbing industry and continue to strengthen our competitive strengths. An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the date of the Listing to 31 December 2017 is set out below:

Business strategies		Implementation plans	Sources of funding	Actual business progress up to 31 December 2017
(i)	Expand our production capacity	Expand the production capacity for narrow elastic fabrics, covered elastic yarn and seat belt webbing to cater for the growing demand for these products by constructing a new factory in Vietnam and acquiring new machines.	Listing proceeds of approximately RM17.6 million (equivalent to HK$32.4 million)	— Acquired machineries for narrow elastic fabric and seat belt webbing of RM1.3 million. — Evaluating the new machineries including the Manufacturing Execution System ("**MES**") software to increase capacity and improve quality control.
(ii)	Move into new product applications and markets	Explore the business potential of our existing products by expanding the application of narrow elastic fabric to sportswear and tapping into the South Korean market for our seat belt webbing.	Our internal resources of the Group	— Carrying on-going discussion and developing narrow elastic fabric samples for prospective customers that manufacture sportswear. — Undergoing qualification and testing for seat belt webbing samples for a South Korean safety belt manufacturer and other prospective customers.
(iii)	Enhance our quality control systems	Enhance our quality control system by increasing headcount and improving the training program for our quality control department.	Our internal resources of the Group	— Evaluating MES software to improve and enable control of production process. — Carrying on-going internal training.
(iv)	Upgrade our information technology systems	Upgrade enterprise resource planning ("**ERP**") system	Listing proceeds of approximately RM1.1 million (equivalent to HK$2 million)	— Evaluating vendors for ERP system and integrated software application.

USE OF PROCEEDS

The net proceeds from the Share Offer, after deducting underwriting fees and other expenses payable by the Group in connection thereto, were approximately HK$35.6 million (or RM19.3 million at the exchange rate of approximately RM1.00 to HK$1.84) as disclosed in the Prospectus.

The net proceeds from the public offer and the placing of 126,000,000 shares of the Company ("**Share Offer**") from the date of the Listing to 31 December 2017 were used as follows:

	Planned use of net proceeds from the Listing as stated in the Prospectus RM'million	Actual use of proceeds from the date of Listing to 31 December 2017 (Note (a)) RM'million	Unutilised amount as at 31 December 2017 (Note (b)) RM'million
Expand our production capacity	17.6	1.3	16.3
Upgrade our information technology systems	1.1	–	1.1
Funding of our working capital and general corporate purposes	0.6	0.6	–
	19.3	1.9	17.4

Notes:

(a) Please refer to the section headed "Comparison of business objectives with actual business progress" in this report for the update of the actual business progress up to 31 December 2017.

(b) The unutilised proceeds are deposited in a licensed bank in Hong Kong.

FUTURE PROSPECTS AND OUTLOOK

The Group will continue to expand the application of the products to different application, as well as to explore new export markets and to expand existing customer base. In this regard, the Group has planned to expand the production capacity, enhance capability of the product modification department, and improve quality control systems and information technology systems by utilising the listing proceeds from the Listing according to the manner set out in the section headed "Statement of Business Objectives and Use of Proceeds" in the Prospectus.

The Group anticipates the prospect of manufacturing business remains promising and is pursuing its strategies to capture new business opportunities. However, we also foresee challenges from the recent crude oil price surge that may increase the price of certain crude-oil based raw materials, such as polyester high tenacity filament yarn, polypropylene multifilament yarn and synthetic rubber, which may impact on the gross profit margin if the Group is unable to pass on the increment in raw material prices entirely to its customers. The Group will closely monitor the raw material prices on a regular basis and adjust the procurement plan and pricing strategy, if necessary. Further, any significant and abrupt movement in the exchange rate between the RM, VND and the USD may result in foreign exchange gains or losses which may affect the Group's results as the Group derives a significant amount of its revenue in USD.

The Group will strive to enhance its market position, further its business development and actively consider new opportunities for growth.

Directors and Senior Management

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Dato' Lim Heen Peok ("Dato' Lim"), aged 69, chairman and non-executive Director.

The biography of Dato' Lim is summarised as follows:

Date of joining the Group	:	November 2004 (as an independent non-executive chairman of PRG Holdings Berhad ("**PRG Holdings**"))
Roles and responsibilities within the Group	:	Giving guidance on the long term strategic planning of the Group
Position held in other members of the Group	:	None
Directorship in public companies	:	An independent non-executive chairman of PRG Holdings, the controlling shareholder of the Company ("**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: • Director, Otomobil Sejahtera Sdn. Bhd. (1988 – 1999) • Director, KYB — UMW Malaysia Sdn. Bhd. (1988 – 2004) • Director, UMW Toyota Motor Sdn. Bhd. (1998 – 2004) • Director, Seat Industries (Malaysia) Sdn. Bhd (1988 – 2004) • Director, Assembly Services Sdn. Bhd. (1988 – 2004) • Director (appointed as the chairman in March 2004), Automotive Industries Sdn. Bhd. (1988 – 2004) • Director (appointed as the chairman in November 1990), JTEKT Automotive (Malaysia) Sdn. Bhd. (formerly known as T&K Autoparts Sdn Bhd) (1990 – 2004) • Director, Toyota Capital Malaysia Sdn. Bhd. (2002 – 2004) • Director (appointed as the chairman in November 2003), Toyota Boshoku UMW Sdn. Bhd. (2003 –2004) • Independent non-executive Director, Alliance Bank Malaysia Berhad (2005 – 2008) • Director, PROTON Holdings Berhad (2006 – 2012) • Director, Liberty Insurance Berhad (since 2016)
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

CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR

Mr. Cheah Eng Chuan ("Mr. Cheah"), aged 71, chief executive officer and executive Director.

The below table summarises the biography of Mr. Cheah:

Date of joining the Group	:	October 1987
Roles and responsibilities within the Group	:	Overseeing strategic planning, business development and operational management of the Group
		Overseeing the compliance of the internal policies and legal requirements within the Group
		Leading and maintaining the management team and overseeing future succession planning
		Appointed as a member of the nomination committee of the Board on 20 September 2017
Positions held in other members of the Group	:	Director, Webtex Trading Sdn. Bhd ("**WTSB (MY)**")
		Director, Furniweb Manufacturing Sdn. Bhd ("**FMSB (MY)**")
		Director, Texstrip Manufacturing Sdn. Bhd ("**TMSB (MY)**")
		Director, Syarikat Sri Kepong Sdn. Bhd. ("**SSKSB (MY)**")
		Director, Furniweb Safety Webbing Sdn. Bhd. ("**FSWSB (MY)**")
		Chairman of board of management, Furniweb (Vietnam) Shareholding Company ("**FVSC (VN)**")
		Chairman of the members' council, Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd ("**PEWAV (VN)**")
		Director, TS Meditape Sdn. Bhd. ("**TSMSB (MY)**")
		Director, FIPB International Limited ("**FIPB**")
Directorship in public companies	:	A managing director of PRG Holdings, the 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
Experience	:	Almost 30 years of experience in the rubber threads and furniture webbing industries, in particular in the field of sales and marketing and management
	:	Founder member of FMSB (MY), WTSB (MY) and TMSB (MY)
	:	Being in charge of all aspects of the operations in the Group, from developing growth policies for the Group to managing the day-to-day operations of the subsidiaries in Malaysia and Vietnam
	:	Attended secondary school education in Malaysia
Other qualifications and major appointments	:	Appointed as the vice president of Malaysian Textile Manufacturers Association in 2011

Directors and Senior Management

CHIEF OPERATING OFFICER AND EXECUTIVE DIRECTOR

Mr. Tan Chuan Dyi ("Mr. Tan"), aged 46, chief operating officer and executive Director.

The biography of Mr. Tan is summarised as follows:

Date of joining the Group	:	January 2014
Roles and responsibilities within the Group	:	Implementing strategic planning, business development and operational management of the Group
	:	Setting comprehensive goals for performance and growth of the Group
	:	Appointed as a member of the risk management committee of the Board on 20 September 2017
Position held in other members of the Group	:	Director, FMSB (MY), FSWSB (MY), TSMSB (MY), TMSB (MY), WTSB (MY), FIPB.
		A member of the members' council, PEWAV (VN)
Directorship in public companies	:	An independent non-executive director of Naim Holdings Berhad, a company whose shares are listed on Bursa Malaysia Securities Berhad
Experience	:	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
	:	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

Directors and Senior Management

EXECUTIVE DIRECTOR

Dato' Lua Choon Hann ("Dato' Lua"), aged 41, executive Director.

The biography of Dato' Lua is summarised as follows:

Date of joining the Group	:	November 2013 (as an executive director of PRG Holdings)
Roles and responsibilities within the Group	:	Overseeing strategic planning and business development of the Group
	:	Appointed as a member of the remuneration committee of the Board on 20 September 2017
Position held in other members of the Group	:	Director, FMSB(MY).
Directorship in public companies	:	An independent non-executive director of Pelikan International Corporation Bhd., a company whose shares are listed on Bursa Malaysia Securities Berhad from April 2013
	:	An executive director of PRG Holdings, the Controlling Shareholder, from 1 November 2013, and was redesignated as group managing director on 11 April 2016
Experience	:	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
	:	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
Other qualifications and major appointments	:	Obtained Bachelor of Law from the University of Cardiff in the United Kingdom in July 1999
	:	Assistant public prosecutor of the Attorney General's Chambers in Singapore from June 2001 to June 2002
	:	Director of Malaysia Investment Development Authority from 1 October 2017

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Ming Hon ("Mr. Ho"), aged 42, independent non-executive Director.

The biography of Mr. Ho is summarised as follows:

Date of joining the Group	:	20 September 2017
Roles and responsibilities within the Group	:	Overseeing management independently
	:	Appointed as the chairman of the audit committee (the "**Audit Committee**") and the risk management committee and a member of the Audit Committee, the remuneration committee and the nomination committee of the Board on 20 September 2017
Directorship in public companies	:	None
Experience	:	Has over 15 years of experience in auditing and corporate finance
	:	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
	:	Joined Pelikan International Corporation Bhd. ("**Pelikan International**") in November 2007, a company whose shares are listed on Bursa Malaysia Securities Berhad and currently, he holds office as the senior vice-president and Head of Corporate Finance and Corporate Services of Pelikan International. He is mainly responsible for the overall management of the operations, financial management including treasury and reporting, corporate, secretarial and legal functions of Pelikan International.
Other qualifications and major appointments	:	Obtained Bachelor of Accounting from The National University of Malaysia 1998
	:	Certified Public Accountant and a member of The Malaysian Institute of Certified Public Accountants

Directors and Senior Management

Dato' Dr. Hou Kok Chung ("Dato' Dr. Hou"), aged 55, independent non-executive Director.

The biography of Dato' Dr. Hou is summarised as follows:

Date of joining the Group	:	20 September 2017
Roles and responsibilities within the Group	:	Overseeing management independently
	:	Appointed as the chairman of the nomination committee and a member of the Audit Committee, the remuneration committee, the nomination committee of the Board on 20 September 2017
Directorship in public companies	:	A non-executive director of Parkson Retail Group Limited, a company listed on the Main Board of the Stock Exchange since 2014
Experience	:	An expert in East Asian and China studies. He served at University of Malaya from 1990 to 2008 as a lecturer and lastly as Associate Professor. During his tenure in University of Malaya, he had been appointed and held positions as Head of Department of East Asian Studies, and director of Institute of China Studies. He attended various conferences and seminars and worked on a handful of publications relating to economy, political environment and culture of East Asian countries and China. His vast experience, knowledge and understanding on this subject will enable him to contribute to the Group by bringing his insights in enhancing the future marketing strategies and positioning in East Asian market
Other qualifications and major appointments	:	Obtained Bachelor and Master of Arts from University of Malaya in August 1987 and August 1990, respectively
	:	Obtained Doctor of Philosophy from the School of Oriental and African Studies, the University of London in January 1998
	:	Member of Parliament and the Deputy Minister of Higher Education Malaysia from 2008 to 2013
	:	Currently, Dato' Dr. Hou assumes offices in, among others, the following institutions/organisations:
		Council member of Tunku Abdul Rahman University (March 2008 — Present)
		Council member of Tunku Abdul Rahman University College (March 2008 — Present)
		Vice-president of the Malaysian Chinese Association (December 2013 — Present)
		Chairman of the Institute of Strategic Analysis & Policy Research (February 2014 — Present)
		Member of the Senate in the Parliament of Malaysia (June 2014 — Present)
		Guest professor at Xiamen University China (November 2014 — Present)
		Chairman of Melaka Port Authority in Malaysia (April 2017 — Present)

Directors and Senior Management

Dato' Sri Wee Jeck Seng ("Dato' Sri Wee"), aged 53, independent non-executive Director.

The biography of Mr. Wee is summarised as follows:

Date of joining the Group	:	20 September 2017
Roles and responsibilities within the Group	:	Overseeing management independently
	:	Appointed as the chairman of the remuneration committee and a member of the Audit Committee, the remuneration committee, the nomination committee and the risk management committee of the Board on 20 September 2017
Directorship in public companies	:	None
Experience	:	Active in community affairs and politics
	:	Served as the secretary to the deputy minister of the Ministry of Home Affairs in Malaysia, political secretary to the Ministry of the Housing and Local Government in Malaysia and the deputy minister of the Ministry of Youth and Sports in Malaysia in the past
	:	Currently, he is a member of Parliament of Malaysia for Tanjung Piai
Other qualifications and major appointments	:	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

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Lee Sim Hak ("Mr. Lee"), aged 64, production director.

The biography of Mr. Lee is summarised as follows:

Date of joining the Group	:	October 1987
Roles and responsibilities within the Group	:	Primarily responsible for overseeing the Group's production operations
	:	Hiring, training and developing staff, in particular, coordinating and designing various programs essential to the manufacturing production
	:	Establishing procedures to maintain high standards of the manufacturing operations
Position held in other members of the Group	:	Director, WTSB (MY), FMSB (MY), SSKSB (MY), FSWSB (MY), TMSB (MY), TSMSB (MY)
		a member of the board of management, FVSC (VN)
		a member of the members' council, PEWAV (VN)
Directorship in public companies	:	Executive director of PRG Holdings, the Controlling Shareholder from 21 July 2003 to 23 June 2016
Experience	:	Almost 30 years of experience in the textile and furniture webbing industries
	:	Being in charge of the production and operation management of the Group
Other qualifications and major appointments	:	Obtained Diploma in Textile Engineering from Feng Chia College of Engineering and Business in Taiwan in September 1976

Mr. Ong Lock Hoo ("Mr. Ong"), aged 66, sales director.

The biography of Mr. Ong is summarised as follows:

Date of joining the Group	:	November 1987
Roles and responsibilities within the Group	:	Primarily responsible for overseeing the Group's sales and marketing operations
Position held in other members of the Group	:	Director, WTSB (MY), FMSB (MY), FSWSB (MY), TMSB (MY), TSMSB (MY)
		a member of the board of management, FVSC (VN)
		a member of the members' council, PEWAV (VN)
Directorship in public companies	:	Executive director of PRG Holdings, the Controlling Shareholder from 21 July 2003 to 23 June 2016
Experience	:	Almost 30 years of experience in the textile and rubber industries
	:	Being in charge of the sales and marketing operations of the Group
Other qualifications and major appointments	:	Attended secondary school education in Malaysia

Directors and Senior Management

Ms. Ho Phei Suan ("Ms. Ho"), aged 38, chief financial officer.

The biography of Ms. Ho is summarised as follows:

Date of joining the Group	:	May 2014
Roles and responsibilities within the Group	:	Overseeing the financial management of the Group
	:	Primarily responsible for daily accounting, budgeting, financial reporting and financial planning of the Group
Directorship in public companies	:	None
Experience	:	Over 15 years of experience in financial management and auditing
	:	Prior to joining the 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

Report of the Directors

The Directors submit their report together with the consolidated financial statements of the Group for the Financial Year.

REORGANISATION AND LISTING

Pursuant to the reorganisation of the Company in connection with the Listing by way of the public offer and the placing of 126,000,000 shares of the Company ("**Share Offer**"), the Company has become the holding company of its subsidiaries now comprising the Group since 21 September 2017. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus. Following the Share Offer, the Company was listed on the GEM of the Stock Exchange on 16 October 2017.

BUSINESS REVIEW

The business review, analysis of key financial performance indicator and business development of the Group for the Financial Year are set out in the "Chairman's Statement and Management Discussion and Analysis" of this report.

An analysis of the Group's performance during the Financial Year, using financial performance indicators are provided in the section headed "Management Discussion and Analysis" in this report.

A review on the Group's environmental policies and performance, compliance with relevant laws and regulations and key relationships with the major stakeholders to the Group (including its employees, customers and suppliers) are provided in the sections headed "Environmental Policy and Performance", "Compliance with Relevant Laws and Regulations" and "Key Relationships" respectively.

A review on the principal risks and uncertainties of the Group is provided in this section headed "Principal Risks and Uncertainties".

CORPORATE 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 ultimate holding company of the Company is PRG Holdings which is a public limited liability company incorporated in Malaysia and the shares of which are listed on the Main Market of Bursa Malaysia Securities Berhad.

The shares of the Company were listed on GEM on 16 October 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally a manufacturer of elastic textile and webbing in Malaysia and Vietnam . The principal activities of the subsidiaries are set out in note 32 to the consolidated financial statements of this report. There were no significant changes in the nature of the Group's principal activities during the Financial Year.

FINANCIAL RESULTS

The results of the Group for the Financial Year and the financial position of the Company and the Group as at 31 December 2017 are set forth in the consolidated financial statements on pages 56 to 57 of this report.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Financial Year.

FINANCIAL SUMMARY

A summary of the results, assets, liabilities and non-controlling interests of the Group for the last three financial years, as extracted from the published consolidated financial statements or the Prospectus of the Company is set out on page 120 of this report. The summary does not form part of the consolidated financial statements.

Report of the Directors

SHARE CAPITAL

Details of the movements in share capital of the Company during the Financial Year, are set out in note 27 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Financial Year are set out in note 16 to the consolidated financial statements.

ADDITIONAL INFORMATION TO THE PROPERTY INTEREST

By comparing the valuation of Group's property interests of RM59,370,000 as of 31 July 2017 as set out in the Property Valuation Report as set out in Appendix III to the Prospectus (excluding property previously held by FCV (VN) which became an associate of the Group as at 31 December 2017), and the carrying amount of these properties interests of approximately RM24,282,000 as of 31 December 2017, the Group would carry a valuation surplus of approximately RM35,088,000. The valuation surplus of the property interests had not been incorporated in the Group's consolidated financial statements for the Financial Year. If the valuation surplus were to be included in the consolidated financial statements, an additional annual depreciation charge of RM764,000 would have been recognised in the consolidated statement of profit and loss and other comprehensive income for the Financial Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities since the date of Listing and up to the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association ("**Articles of Association**") and there was no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RESERVES

Movements in the reserves of the Group and the Company during the Financial Year are set out in the consolidated statement of changes in equity on page 58 and page 108 of this report, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company was incorporated in the Cayman Islands on 3 March 2017 as an investment holding company . As at 31 December 2017, the Company's reserves available for distribution amounted to RM61.9 million (2016: nil).

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") on 20 September 2017. Summary of the Share Option Scheme disclosed in accordance with the Listing Rules is as follows:

(i) Purposes of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group.

(ii) Who may join

The 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:

(a) any employee (whether full-time or part-time including any executive Director but excluding any non-executive Director) of the Company or any of its subsidiaries or any entity ("**Invested Entity**") in which any member of the Group holds an equity interest;

(b) any non-executive Directors (including independent non-executive Directors) of the Company or any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;

(h) 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 the Group;

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.

(iii) Maximum number of shares available for issue

The total number of shares available for issue under the Share Option Scheme is 50,400,000 Shares, representing 10% of the Company's issued share capital on the Listing Date.

(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 the Company (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% 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% of the shares in issue, such further grant must be separately approved by the shareholders in general meeting of the Company with such grantee and his close associates abstaining from voting.

(v) Time of acceptance

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.

(vi) Minimum period for which an option must be held before it can be exercised

There is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee.

(vii) Consideration for the option

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(viii) Subscription price for the shares

The subscription price for the shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of share 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 the 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.

(ix) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing from 20 September 2017, being the date of its adoption.

As at 31 December 2017, no share options had been granted under the Share Option Scheme.

MAJOR CUSTOMERS AND SUPPLIERS

During the Financial Year, the five largest suppliers of the Group accounted for about 21.6% of the Group's total cost of sales and the largest supplier accounted for about 5.6% of the total cost of sales.

During the Financial Year, the five largest customers of the Group accounted for about 33.8% of the Group's total revenue and the largest customer accounted for about 9.6% of the total revenue.

Based on the information publicly available to the Company and to the best knowledge of the Directors, during the Financial Year, none of the Directors, their respective close associates (as defined in the GEM Listing Rules) or any shareholders (which to the knowledge of the Directors, own more than 5% of the Company's shares) had an interest in any of the Group's five largest customers or suppliers referred to above.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group understands the importance of environmental sustainability and protection. We are committed to protecting the environment, minimising the environmental impact brought by our business operations and complying with applicable environmental legislative and regulatory requirements. We have an environmental policy that guides our daily operations to achieve higher environmental standards. The Environmental, Social and Governance (the "**ESG**") Report for the Financial Year containing all information required by the GEM Listing Rules is set out on pages 44 to 51 of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are aware that the Group is exposed to various types of risks, including operational risks, market risks, liquidity risks, credit risks and regulatory risks. The Directors have established a set of risk management policies and measures to identify, evaluate and manage risks arising from its operations. The following are the primary risks that may materially and adversely affect the Group's business, financial condition and results of operation as well as the corresponding risk management measures.

Key risks related to the Group's businesses and to the industries in which the Group operates include:

1 Global economic conditions

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 are 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. The recent trade policies announced by the US, such as increasing tariffs on steel and aluminium imports and global worries over an emerging "trade war", may cause uncertainty to the market. It is also expected that the global financial market remain volatile for the coming 2018. If any unfavourable economic conditions occur, our business, financial condition and results of operations may be materially and adversely affected.

2 **Risks relating to conducting business 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.

3 **Risks relating to renewal of licences**

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.

4 **Risks relating to labour supply**

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 the cost of labour and ability to employ foreign workers or to renew our employees' work permits to support our production process. As such, the business operations and financial condition could be materially and adversely affected.

5 **Risk relating to foreign currency**

The Group derives a significant portion of its revenue in USD from the business with its international counterparts. The Group had a net USD exposure arising from the income after settling the purchases. While the Group adopted RM as the reporting currency, some of the assets and liabilities such as trade receivables and payables were denominated in other currencies, such as USD. From time to time, The Group has a net position in such currencies. These foreign currency balances are revalued at each accounting year or period end with the then prevailing exchange rate and may give rise to translational foreign currency exchange gain or loss.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group and its activities are subject to requirements under various laws in Malaysia, Vietnam, Cayman Islands, British Virgin Islands and Hong Kong and all applicable regulations, guidelines, policies and licence terms issued or promulgated under or in connection with these statutes. In addition, the GEM Listing Rules also apply to the Company. The Company seeks to ensure compliance with these requirements through various measures such as internal controls and approval procedures, training and oversight of various business units with the designated resources at different levels of the Group.

The Group has compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. During the Financial Year, the Group had compiled with, and was not aware of any material non-compliance with the relevant laws and regulations that have significant impact on the business of the Group.

KEY RELATIONSHIPS

The Group is committed to operating in a sustainable manner while balancing the interests of its various stakeholders including employees, customers and suppliers.

Employees

Employees are important assets and we strive to provide our employees with a fair and diverse working environment. We encourage communication between management and employees; the periodic review provides an opportunity for management and employees to discuss opportunities for career advancement. The Group ensures all employees are reasonably remunerated, continues to improve the regular review and updates its policies on remuneration and benefits, training, occupational health and safety.

Suppliers

The Group has developed long-standing relationships with a number of suppliers which commit to high quality business ethics from time to time. The Group carefully assesses and selects its suppliers on various criteria including history, experience, financial strength, reputation and quality standards.

Customers

Relationship is the fundamentals of business. The Group fully understands this principle and thus maintains close relationship with the customers to fulfil their immediate and long-term need. The Group enhances the service quality by assisting customers to develop their products samples and eventually secure our close and long-term business relationships with them. Further, the Group's ability to supply products of high and consistent quality to cater the changing product specifications required by our customers has been instrumental in establishing our broad clientele.

Report of the Directors

DIRECTORS

The Directors during the Financial Year and up to the date of this report were as follows:

Chairman and Non-Executive Directors

Dato' Lim Heen Peok	(appointed on 26 April 2017)

Executive Directors

Mr. Cheah Eng Chuan *(Chief Executive Officer)*	(appointed on 3 March 2017)
Mr. Tan Chuan Dyi *(Chief Operating Officer)*	(appointed on 3 March 2017)
Dato' Lua Choon Hann	(appointed on 26 April 2017)

Independent Non-Executive Directors

Mr. Ho Ming Hon	(appointed on 20 September 2017)
Dato' Dr. Hou Kok Chung	(appointed on 20 September 2017)
Dato' Sri Wee Jeck Seng	(appointed on 20 September 2017)

Pursuant to article 105(A) of the Company's Articles of Association, one-third of the Directors will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company ("**AGM**").

By virtue of article 105 (A) of Articles of Association, Dato' Lim Heen Peok, Mr. Cheah Eng Chuan, and Dato' Lua Choon Hann will each retire and all being eligible, offer himself for re-election at AGM.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company 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 the executive Director may be terminated by either party by giving not less than three months' notice in writing to the other.

Each of the non-executive Directors and the independent non-executive Directors has been appointed for an initial term of two years commencing from 20 September 2017, provided that either the Company or the non-executive Directors and the independent non-executive Directors may terminate such appointment at any time by giving at least two months' notice in writing to the other.

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

During the Financial Year, none of the Directors or his connected entity had a material interests, whether directly or indirectly, in any arrangement, transaction or contract of significance to the business of the Group subsisting during the Financial Year or at the end of the Financial Year to which the Company or any of its subsidiaries or fellow subsidiaries was a party.

As at 31 December 2017, no contract of significance had been entered into between the Company, or any of its subsidiaries or fellow subsidiaries and the Controlling Shareholder or any of its subsidiaries.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 under the GEM Listing Rules. The Board considers all of the independent non-executive Directors are independent and met the independence guidelines set out in Rule 5.09 of the GEM Listing Rules since their respective dates of appointment and up to the date of this report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the period from the date of Listing to 31 December 2017.

EMOLUMENT POLICY

The Company has established a remuneration committee (the "**Remuneration Committee**") in compliance with the GEM Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the remuneration policy and other remuneration related matters, including benefits-in-kind and other compensation payable to the Directors and senior management of the Company.

Under the remuneration policy of the Company, the Remuneration Committee will consider factors such as corporate and individual performance, salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group in assessing the amount of remuneration payable to the Directors and senior management. The Company has adopted a Share Option Scheme as an incentive to selected participants.

DEED OF NON-COMPETITION

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

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

* the "Relevant Period" means the period commencing from the date of Listing and shall expire on the earlier of the dates below:

(a) the date on which the Controlling Shareholder and its close associates (whether individually or taken as a whole) cease to own 30% of the then issued share capital of the Company (whether directly or indirectly) or cease to be the Controlling Shareholder of the Company for the purpose of the GEM Listing Rules; and

(b) the date on which the shares of the Company cease to be listed on GEM or (if applicable) other stock exchange.

The Controlling Shareholder had provided a written confirmation to the Company that it has complied with the Deed of Non-Competition for the Financial Year and there is no matter in relation to their compliance with or enforcement of the Deed of Non-Competition that needs to be brought to the attention of the Stock Exchange, the Company and/or the shareholders of the Company.

The independent non-executive Directors have also confirmed to the Company that, having made such reasonable enquiries with the Controlling Shareholder and reviewed the written confirmation from the Controlling Shareholder and/or such documents as they considered appropriate, nothing has come to their attention that causes them to believe that the terms of the Deed of Non-Competition had not been complied with by the Controlling Shareholder during the Financial Year.

COMPETING INTERESTS OF DIRECTORS, CONTROLLING SHAREHOLDER AND THEIR RESPECTIVE CLOSE ASSOCIATES

None of the Directors or the Controlling Shareholder or any of their respective close associates (as defined under the GEM Listing Rules) had any business or interests in any business, apart from the business operated by members of the Group, which competes or is likely to compete, directly or indirectly, with the business of the Group and/or has or is likely to have other conflict of interest with the Group during the Financial Year and up to the date of this report.

COMMERCIAL ACTIVITIES IN SANCTIONED COUNTRIES

During the Financial Year, the Group did not enter into any transactions in countries or territories which are targeted with certain economic sanctions under the laws of the United States, the European Union, the United Nations and Australia (the "**Sanctioned Countries**") or with certain person(s) and entity(ies) listed on the Office of Foreign Assets Control of the United States Department of Treasury's sanctions lists including the Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the United States, the European Union, the United Nations or Australia (the "**Sanctioned Persons**") that the Group believes would put the Group or its investors at risk of violating or becoming the target of sanction-related laws and regulations in the United States, the European Union, the United Nations and Australia (the "**International Sanctions**").

To continuously monitor and evaluate the Group's business and take measures to comply with the Group's continuing undertakings to Stock Exchange as disclosed in the Prospectus, and to protect the interests of the Group and the shareholders of the Company, the Group has undertaken the following measures and efforts to monitor and evaluate its business activities in connection with possible International Sanctions risks as at the date of this report:

(i) the Group has set up a risk management committee, comprising two independent non-executive Directors and one executive Director, whose responsibilities include, among others, overseeing the Group's management activities in managing key risks, ensuring the risk management process is functioning effectively and reviewing risk management strategies, policies, risk appetite and risk tolerance;

(ii) the Group will evaluate sanctions risks prior to determining whether the Group should embark on any business opportunities in a Sanctioned Country or with Sanctioned Persons;

(iii) as and when the risk management committee considers necessary, the Group will retain an external International Sanctions legal adviser with necessary expertise and experience in International Sanctions matters for recommendations and advice. Since the date of Listing and up to the date of this report, the risk management committee did not identify any exposure to sanctions risks by the Group which it considered necessary for the Group to retain an external International Sanctions legal adviser.

The Directors are of the view that such risk management measures and efforts provided a reasonably adequate and effective framework to assist the Group in identifying and monitoring any material International Sanctions risk so as to protect the interests of the Company and its shareholders as a whole.

DISCLOSURE INTEREST

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND/OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2017, the interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the SFO) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive is taken or deemed to have under such provision of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows.

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

Name of Director	Name of the associated corporation	Capacity/ Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Dato' Lim Heen Peok	PRG Holdings (Note 2)	Beneficial owner	108,800 shares of RM0.25 each (L)	0.04%
Mr. Cheah Eng Chuan	PRG Holdings (Note 2)	Beneficial owner	15,742,716 shares of RM0.25 each (L)	5.20%
Mr. Tan Chuan Dyi	PRG Holdings (Note 2)	Beneficial owner	62,000 shares of RM0.25 each (L)	0.02%
Dato' Lua Choon Hann	PRG Holdings (Note 2)	Beneficial owner	53,167,800 shares of RM0.25 each (L)	17.58%

Notes:

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

2. PRG Holdings is the holding company and the associated corporation of the Company within the meaning under Part XV of the SFO.

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

Name of Director	Name of the associated corporation	Capacity/ Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Dato' Lim Heen Peok	PRG Holdings (Note 2)	Beneficial owner	40,800 shares of RM0.25 each (L)	0.01%
Dato' Lua Choon Hann	PRG Holdings (Note 2)	Beneficial owner	20,953,100 shares of RM0.25 each (L)	6.93%
Mr. Cheah Eng Chuan	PRG Holdings (Note 2)	Beneficial owner	5,603,518 shares of RM0.25 each (L)	1.85%
Dato' Dr. Hou Kok Chung	PRG Holdings (Note 2)	Beneficial owner	315,000 shares of RM0.25 each (L)	0.10%

Notes:

1. The letter "L" denotes the long position of the Director in the underlying shares in PRG Holdings.

2. PRG Holdings is the holding company and the associated corporation of the Company within the meaning under Part XV of the SFO.

3. The 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).

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executive of the Company had, or was deemed to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

Substantial Shareholders' Interests and Other Persons' Interests and/or Short Positions in the Shares and Underlying Shares of the Company

As at 31 December 2017, the following persons (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Interests and short positions in the Company

Name of shareholder	Capacity/ Nature of interest	Number and class of securities	Approximate percentage of shareholding (Note 1)
PRG Holdings (Note 2&3)	Beneficial owner	378,000,000 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 Securities Berhad.

3 Dato' Lua Choon Hann, the executive Director, is the group managing director of PRG Holdings.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Share Option Scheme", at no time since the date of Listing and up to the date of this report were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or their associates to acquire benefits by means of acquisition of shares in, or debenture of, the Company or any body corporate.

INTERESTS OF COMPLIANCE ADVISER

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

As at 31 December 2017, as notified by the Compliance Adviser, except for the compliance adviser's agreement entered into between the Company and the Compliance Adviser on 25 September 2017 where the Compliance Adviser received and will receive fees for acting as the compliance adviser of the Company, neither the Compliance Adviser nor any of its Directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the securities of the Company or any member of the Group (including options or rights to subscriber for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company had established its 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.

Report of the Directors

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Associations and subject to the applicable laws, the Directors shall be indemnified out of the Company's assets from and against all actions, costs, charges, losses, damages and expenses which they may incur in the execution of their duties, except for those incurred through their own fraud or dishonesty. The above indemnity provision was in force during the course of the Financial Year and remained in force as of the date of this report.

RELATED PARTY TRANSACTIONS

Related party transactions of the Group during the Financial Year are disclosed in note 34 to the consolidated financial statements. None of these related party transactions constituted connected transaction and/or continuing connected transaction (as the case may be) as defined under Chapter 20 of the GEM Listing Rules. Please refer to note 34 to the consolidated financial statements for further details. There was no connected transactions of the Group from the date of Listing up to 31 December 2017.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules.

EVENTS AFTER REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2017 and up to the date of this report.

ANNUAL GENERAL MEETING

It is proposed that the AGM will be held on Wednesday, 9 May 2018. A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by the GEM Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 4 May 2018 to Wednesday, 9 May 2018, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 3 May 2018.

INDEPENDENT AUDITOR

The consolidated financial statements for the Financial Year were audited by BDO Limited, the independent auditors, who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution will be proposed at the forthcoming AGM to re-appoint BDO Limited as auditor and to authorise the Directors to fix its remuneration.

On behalf of the Board
FURNIWEB HOLDINGS LIMITED
Dato' Lim Heen Peok
Chairman

Hong Kong, 15 March 2018

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The shares of the Company were successfully listed on GEM on 16 October 2017. To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code since the date of Listing and up to 31 December 2017.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules, as its own securities dealing code, with terms no less exacting than the code of conduct regarding Directors' securities transactions in securities of the Company. Having made specific enquiry to the Directors, all Directors have confirmed that they have complied with the required standard of dealings and there is no event of non-compliance since the date of Listing and up to 31 December 2017.

BOARD OF DIRECTORS

Board Composition

As at 31 December 2017 and as at the date of this report, the Board comprised of one non-executive Director, three executive Directors, and three independent non-executive Directors. The composition of the Board is as follows:

Non-Executive Director

Dato' Lim Heen Peok *(Chairman)*

Executive Directors

Mr. Cheah Eng Chuan *(Chief Executive Officer)*
Mr. Tan Chuan Dyi *(Chief Operating Officer)*
Dato' Lua Choon Hann

Independent Non-Executive Directors

Mr. Ho Ming Hon
Dato' Dr. Hou Kok Chung
Dato' Sri Wee Jeck Seng

The biographical details of the Directors of the Company are set out under the section headed "Directors and Senior Management" in this report.

Functions, Roles and Responsibilities of the Board

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's mission and standards and ensures that the requisite financial and human resources support are in place for the Group to achieve its objectives.

The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the respective websites of the GEM and the Company. The Board may from time to time delegate certain functions to senior management of the Group if and when considered appropriate. The management of day-to-day operation of the Group's businesses and implementation of the business plans, strategies and policies adopted by the Board has been delegated to the senior management of the Group.

The functions performed by the Board include but are not limited to the following matters:

- formulating the Group's strategy and direction and monitoring the implementation thereof;
- deciding all material contracts, acquisitions, investments, divestments, disposals of assets or any significant capital expenditure;
- approving of the Group's financial statements, published reports, price sensitive announcement and other disclosure required under the GEM Listing Rules;
- developing, monitoring and reviewing the Group's corporate governance practices and the effectiveness of the Group's financial controls, internal control and risk management systems;
- Board appointment and other major appointments or removal; and
- monitoring the performance of the management.

The Directors have full and timely access to information and accounts of the Group and are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

The non-executive Director does not involve general management and day-to-day operation of the Group. However, they will provide advice on strategic direction for the Group in the Board meetings.

All Directors, including the non-executive Director and independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board, on issues of strategic direction, policies, development, performance and risk management. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, they scrutinise the Company's performance in achieving corporate goals and objectives and monitor performance reporting. By doing so, they are able to contribute positively to the Company's strategy and policies through independent, constructive and informed comments at Board and committee meetings.

Each Director has confirmed that he can give sufficient time and attention to the Company's affairs and has regularly provided information on the number and nature of offices held in public companies or organisations and other significant commitments, including the identity of such companies or organisations and an indication of the time involved.

The Company has received written annual confirmation from each independent non-executive Directors of his independence pursuant to the requirements of the GEM Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the GEM Listing Rules.

The Board members have no financial, business, family or other material/relevant relationship with each other.

The Company has arranged appropriate insurance cover for Directors' liabilities in respect of legal actions against them for corporate activities.

Chairman and Chief Executive

The position for the chairman of the Board and chief executive is held by different individuals. The roles and responsibilities of the chairman of the Board and chief executive have been clearly defined in writing in order to ensure the accountability and division of their responsibilities.

Dato' Lim Heen Hook, is the chairman and non-executive Director, who is giving guidance on the long term strategic planning for the Group.

Mr. Cheah Eng Chuan ("**Mr. Cheah**"), is the chief executive officer and the executive Director of the Group. Mr. Cheah is overseeing strategic planning, business development and operational management of the Group. Mr Cheah is also leading and maintaining the management team and overseeing future succession planning and the compliance of the internal policies and legal requirement within the Group.

Mr. Tan Chuan Dyi ("**Mr. Tan**"), is the chief operating officer and the executive Director of the Group. Mr. Tan is implementing strategic planning, business development and operational management of the Group. Mr Tan is also setting comprehensive goals for performance and growth of the Group.

Non-Executive Directors

Each of the non-executive Director and the independent non-executive Directors signed a letter of appointment with the Company for an initial term of two years commencing from 20 September 2017, provided that either the Company or the non-executive Director and the independent non-executive Directors may terminate such appointment at any time by giving at least two months' notice in writing to the other.

Board Meetings

Directors' resolutions were passed by physical meetings during the year.

The Board is expected to meet regularly and at least four times a year. The Board meets regularly to discuss the overall strategy as well as the operations and financial performance of the Group, and to review and to approve the Company's annual reports and accounts, summary of financial reports, half-year and quarterly reports and circular to shareholders.

The Directors are allowed to include any other matters in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at the Board meetings and to make informed decisions, an agenda and the accompanying Board papers together with all appropriate and relevant information in relation to the matters of the meetings are sent to all Directors at least three days before the intended date of each regular Board meeting and three days or such other period as agreed before each other Board meeting. All Directors should have access to the advice and services of the company secretary of the Company (the "**Company Secretary**") with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Company Secretary is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record within a reasonable time after each meeting and the final version is open for the Directors' inspection.

The Company has to comply with the CG Code provisions with regard to the conduct of meetings, have annual meeting schedules and draft agenda of each meeting made available to Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is required to be given.

According to the GEM Listing Rules, any Directors and their close associates with a material interest in the transactions to be discussed at the Board meetings will abstain from voting on resolutions approving such transactions and are not counted in the quorum of the meetings.

During the Financial Year, two Board meetings were held and attendance of each Director at the Board meetings is set out as follows:

Name of Director	Number of attendance/ Number of meeting
Dato' Lim Heen Peok	2/2
Mr. Cheah Eng Chuan (Chief Executive Officer)	2/2
Mr. Tan Chuan Dyi (Chief Operating Officer)	2/2
Dato' Lua Choon Hann	2/2
Mr. Ho Ming Hon	2/2
Dato' Dr. Hou Kok Chung	2/2
Dato' Sri Wee Jeck Seng	2/2

During the Financial year, the Company did not hold any general meeting.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

According to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding suitable training placing an appropriate emphasis on the roles, functions and duties of a listed company director as per the GEM Listing rules.

All Directors, that is, Dato' Lim Heen Peok, Mr. Cheah Eng Chuan, Mr. Tan Chuan Dyi, Dato' Lua Choon Hann, Mr. Ho Ming Hon, Dato' Dr. Hou Kok Chung, Dato' Sri Wee Jeck Seng, have confirmed that they had participated in continuous professional development by attending seminars and reading materials during the Financial Year and have provided a record of their training to the Company, in compliance with code provision A.6.5 of the CG Code.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, Remuneration Committee Nomination Committee and Risk Management Committee, to oversee particular aspects of the Company's affairs. The Audit Committee, Remuneration Committee and Nomination Committee are established with written terms of reference, which have complied with the CG Code and are available on the Stock Exchange website at www.hkexnews.hk and the Company's website at www.furniweb.com.my and are available to shareholders upon request.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense. The Board committees will report back to the Board on their decisions or recommendations.

Audit Committee

The Company has 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.

During the Financial Year, the Audit Committee has reviewed the Company's quarterly results announcement and report and the effectiveness of the Group's internal control and risk management systems. The Audit Committee has also reviewed the annual results and the annual report of the Group for the Financial Year on 15 March 2018.

The Audit Committee shall meet at least four times a year. During the Financial Year, one Audit Committee meeting was held and attendance of each Director at the Audit Committee meeting is set out as follows:

Name of Director	Number of attendance/ Number of meeting
Mr. Ho Ming Hon	1/1
Dato' Dr. Hou Kok Chung	1/1
Dato' Sri Wee Jeck Seng	1/1

Nomination Committee

The Company has 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.

The members of the nomination committee should meet at least once a year. No nomination committee meeting was held from the date of Listing to 31 December 2017. The first nomination committee meeting was held on 15 March 2018 for, among others, reviewing the structure, size and composition of the Board and board diversity policy. All the members of the nomination committee had attended that meeting.

Remuneration Committee

The Company has 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.

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.

The members of the remuneration committee should meet at least once a year. No remuneration committee meeting was held from the date of Listing to 31 December 2017. The first remuneration committee meeting was held on 15 March 2018 for, among others, reviewing the policy and structure for the remuneration of the Directors. All the members of the remuneration committee had attended that meeting.

Risk Management Committee

The Company has established a risk management committee on 20 September 2017. The primary duties of the risk management committee are to overseeing the management's activities in managing key risks, ensuring the risk management process is functioning effectively and reviewing risk management strategies, policies, risk appetite and risk tolerance.

The risk management committee currently comprises of two independent non-executive Directors, namely, Mr. Ho Ming Hon and Dato' Sri Wee Jeck Seng, and one executive Director, Mr. Tan Chuan Dyi. Mr. Ho Ming Hon is the chairman of the risk management committee.

The risk management committee shall meet at least four times a year. During the Financial Year, one risk management committee meeting was held and attendance of each Director at the risk management committee meeting is set out as follows:

Name of Director	Number of attendance/ Number of meeting
Mr. Ho Ming Hon	1/1
Dato' Sri Wee Jeck Seng	1/1
Mr. Tan Chuan Dyi	1/1

During the Financial Year, the risk management committee has reviewed the Company's risk management report and report to Audit Committee.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee of the Company has been established. The Board as a whole is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The terms of reference for performing the corporate governance functions in compliance with the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules were approved by the Board for adoption on 20 September 2017.

ACCOUNTABILITY AND AUDIT

The Board is committed to provide a balanced, clear and comprehensive assessment of the Group's performance, position and prospects in annual, interim and quarterly reports, and other financial disclosures required by the GEM Listing Rules. The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group which give a true and fair view of the state of affairs of the Group's results and cash flows for the Financial Year and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards.

The Management should provide the Board with monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The responsibility of the Company's auditor, BDO Limited, is set out in the section headed "Independent Auditor's Report" on pages 52 to 55 of this report.

SENIOR MANAGEMENT'S REMUNERATION

The remuneration payment of the senior management of the Group (excluding the Directors) for the Financial Year falls within the following bands:

	Number of individuals
Nil to HK$1,000,000	2
HK$1,000,001 to HK$1,500,000	1

AUDITOR'S REMUNERATION

The Audit Committee is responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal.

For the Financial Year, BDO Limited and other member firms of BDO ("**BDO**") were engaged as the Group's independent auditors. Apart from the provision of annual audit services, BDO also provided the non-audit services to the Company.

The remuneration paid or payable to BDO for the services rendered for the Financial Year was as follows:

Category of services	Amount (RM'000)
Audit services — Annual audit	372
Non-audit services (Note)	922

Note: Non-audit services represented professional services rendered as reporting accountant in relation to the Listing.

COMPANY SECRETARY

Mr. Kwok Siu Man ("**Mr. Kwok**") was appointed as the Company Secretary on 22 March 2017. 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 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 and was a chief examiner of the international qualifying examinations and the longest-serving council member of the HKICS.

Mr. Kwok has complied with the relevant professional training for the Financial Year, in compliance with Rule 5.15 of the GEM Listing Rules. The primary person of the Company with whom Mr. Kwok has been contacting in respect of company secretarial matters is Ms. Ho Phei Suan, the chief financial officer.

Rights to convene an extraordinary general meeting and procedures to putting forward and proposals at shareholders' meeting

The following procedures for shareholders to convene a general meeting (the "**EGM**") other than an annual general meeting of the Company are subject to the Company's Articles of Association, the Companies Law (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and applicable legislation and regulation:

1. One or more shareholders (the "**Requisitionist(s)**") holding, at the date of deposit of the requisition (the "**Requisition**"), not less than one tenth of the paid up capital of the Company having the right of voting at general meetings of the Company, shall have the right, by written notice, to require an EGM to be called by the Directors for the transaction of any business specified in such Requisition.

2. The Requisition must state the general nature of the business to be dealt with at the EGM and may include the text of a resolution that may properly be moved and is intended to be moved at the EGM

3. The Requisition may consist of several documents in like form which may be sent to the Board or the Company Secretary of the Company in hard copy form or in electronic form (and must be authenticated by the Requisitionist(s)) in the following manner:

Address:	Lot 1883, Jalan KPB 9 Kg. Bharu Balakong 43300 Seri Kembangan Selangor Malaysia
Email:	ir@furniweb.com.my
Attention:	The Board of Directors/Company Secretary

4. The Directors must call the EGM within 21 days after the date of the deposit of the Requisition and the EGM must be held within two months after the date of the deposit of the Requisition.

5. If the Directors are required under paragraph (1) immediately above to call an EGM and fail to do so pursuant to paragraph (4) immediately above, the Requisitionist(s) may themselves call the EGM. Any reasonable expenses incurred by the Requisitionist(s) by reason of the failure of the Directors duly to call the EGM must be reimbursed by the Company.

Corporate Governance Report

Right to Put Enquiries to the Board

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar and transfer office in Hong Kong whose contact details are as follows:

Tricor Investor Services Limited

Address:	Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Email:	is-enquiries@hk.tricorglobal.com
Tel:	(852) 2980 1333
Fax:	(852) 2810 8185

Shareholders may at any time raise any enquiry in respect of the Company at the following designated contacts, correspondence addresses, email addresses and enquiry hotlines of the Company:

Address:	Lot 1883, Jalan KPB 9 Kg. Bharu Balakong 43300 Seri Kembangan Selangor Malaysia
Email:	ir@furniweb.com.my
Attention:	The Board of Directors/Company Secretary

COMPLIANCE ADVISER

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for establishing the internal control system and reviewing its effectiveness. The Group has an in-house audit department that carries out regular reviews of the Group's operations and system of internal control by examining and evaluating business processes to determine the adequacy and efficiency of financial and operating controls, and highlighting significant risks and non-compliance impacting the Group. In accordance with the applicable laws and regulations, the Group has established an internal control system, covering areas such as corporate governance, risk management, operations, management, legal matters, finance and audit. The Group believes that our internal control system is sufficient in terms of comprehensiveness, practicability and effectiveness. The objective of internal control is to safeguard the Group's assets and ensure its accounting records are properly maintained, so that all the financial information is accurate and reliable.

The Group has adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving the objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. 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. All employees are committed to continually enhancing the risk management measures to ensure that these measures work in line with the growth of our business strategies and integrated into day-to-day operation of the business.

The Board convened meetings quarterly to discuss business risks, financial risks, compliance risks and operation and other risks. The Board, as supported by the Audit Committee and the in-house audit department, has conducted a review of the effectiveness of the internal control system of the Group, covering all material controls such as financial, operational and compliance controls and risk management functions, and considered that the risk management and internal control system and procedures of the Group, including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programs and budget, are adequate and effective and have complied with the provisions of the CG Code since the date of Listing and up to 31 December 2017.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An AGM of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting. To ensure compliance with the CG Code, the notice of the AGM, the annual report and the circular containing information on the proposed resolutions will be sent to shareholders at least 20 clear business days before the AGM. Voting at the AGM will be by way of a poll. An explanation of the detailed procedures of conducting a poll will be provided to the shareholders at the commencement of the AGM to ensure that the shareholders are familiar with such procedures.

Poll results will be counted by the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, and will be posted on the websites of the Company and of the Stock Exchange on the day the shareholders' meeting is held. The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The chairman of the Board as well as the chairman of the Remuneration Committee, Nomination Committee and Audit Committee, or in their absence, other members of the respective committees, are available to answer questions at the shareholders' meetings. The Company will also arrange for the external auditors of the Company to attend the AGM to answer relevant questions if necessary.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for dialogue and interaction between the Board and the shareholders. The Board encourages and welcomes participation from shareholders to ask questions regarding the resolution being proposed at the meeting and also other matters pertaining to the business activities of the Group. The Directors are present during the meeting to respond to questions raised by shareholders.

The Company continues to enhance the communication and relationship with its investors. Enquiries from investors are dealt with in an informative and timely manner.

Handling and Dissemination of Inside Information

The Company has established and maintained the procedures and internal controls for the handling and dissemination inside information. The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. The Group has strictly prohibited unauthorised use of confidential or insider information or any use of such information for the advantage of himself or others. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the GEM Listing Rules will be announced on the respective websites of GEM and the Company in due course.

Investors Relations

The Company has established a range of communication channels between itself and the shareholders, its investors and other stakeholders. These include annual general meetings, the annual, interim and quarterly reports, notices, announcements and circulars and the Company's website at www.furniweb.com.my.

CONSTITUTIONAL DOCUMENTS

From the date of Listing to 31 December 2017, there had been no significant change in the Company's constitutional documents.

Environmental, Social and Governance Report

OVERVIEW OF SUSTAINABILITY APPROACH

This is the first ESG report for the Financial Year prepared with accordance to the Environmental, Social and Governance Reporting Guide set out in Appendix 20 of the GEM Listing Rules. This ESG report intends to give insight into the approaches adopted and actions taken by the Group regarding its operations and sustainability that have implication for the Group and the interest to stakeholders.

This report covered the overall environmental and social performance of all major subsidiaries of the Group which are set out in note 32 to the consolidated financial statements during the Financial Year.

The Group understands the importance of ESG report and is committed to making continuous improvements in corporate social responsibility into our business in order to better meet the changing needs of an advancing society. The Group endeavours to improve its sustainability performance and continue to optimise and improve the disclosure requirements.

STAKEHOLDER ENGAGEMENT

Due to their considerable influence and impact on our business, the Group values the relationships with our stakeholders. High emphasis is placed on two-way communication with all stakeholders who are impacted by or have the ability to influence our business. The Group strives to continuously engage with these stakeholders to address their needs and concerns on issues related to the business operations through various channels as follows:

Stakeholder	Engagement Platform
Employees	• Circulation of internal memos • Email communications • Employee engagement activities • Team building activities
Customers	• Official Website • Launches/Marketing events • Dedicated phone line to liaise with sales & marketing team of the Company
Regulatory authorities	• Dialogues with authorities • Workshops & trainings organised by the relevant regulatory authorities
Shareholders and investors	• Annual, interim and quarterly reports • Annual, interim and quarterly results announcements • Website (investor relations) • Press release & coverage
Vendors/suppliers	• Negotiations with vendors/suppliers • Supplier periodical performance evaluation • New vendor evaluation & registration

With regards to sustainable development, we believe stakeholders' inputs are essential in shaping our roadmap and strategy to strengthen our ESG management and we will actively engage in different platforms to communicate with our stakeholders.

Environmental, Social and Governance Report

ENVIRONMENTAL

The Group understands the importance of environmental sustainability and protection. The Group takes measures to protect the environment in which we operate through the implementation of an environmental management system at our factories.

The Group is committed to operating in compliance with applicable environmental laws and regulations in all material respects and protecting environment by minimising the negative impact of the Group's operation on the environment. A subsidiary of the Group has been certified with the ISO 14001:2015 Certification for Environmental Management Systems issued by SGS (Malaysia) Sdn Bhd and SGS United Kingdom Limited. For the other subsidiaries, we have put in place our own environmental management system that identifies and manages our environmental risks concerning our businesses. We are able to identify environmental opportunities, enforce programs, promote awareness among our employees and stakeholders and seek continuous improvement.

During the Financial Year, the Group has strictly complied with relevant environmental laws and regulations relating to air, greenhouse gas ("**GHG**") emissions, discharges into water and land, and generation of hazardous and non-hazardous waste in Malaysia and Vietnam and the Group is not aware of any material non-compliance of the relevant environmental laws and regulations that have a significant impact on the Group.

Emission

During the Financial Year, the Group's total emissions are summarised in table below:

Emission category	Item	Unit	Amount	Intensity (per tonne production volume)
GHG	Scope 1 (Direct Emission)	tonnes CO_{2e}	1,395	0.31
	Scope 2 (Energy Indirect Emission)	tonnes CO_{2e}	3,915	0.86
	Total (Scope 1 & 2)	tonnes CO_{2e}	5,310	1.17
Hazardous waste	Industrial wastage	tonnes	35	0.01
Non-hazardous waste	Wastewater	M^3	165,254	22.76
	Solid wastage	tonnes	214	0.05

*The above key performance indicators ("**KPI**") does not form part of the consolidated financial statements. The above data are not independently audited or verified.*

We are committed to abiding by all respective laws and regulations in the areas we operate in, the Group 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. The non-hazardous waste, such as waste water from dyeing process, or other solid waste generated from the production process that require special treatment are under applicable environmental standards and measures in Malaysia and Vietnam.

The Group has adopted the following measures including engaging an independent and licensed pollutant treatment company to dispose our hazardous waste, and wastewater was centrally collected and treated before discharged. The non-hazardous wastes and hazardous wastes were collected and store separately, before being transferred to landfill for disposal. All disposals and handling of the non-hazardous wastes and hazardous wastes produced during the production from the Group are strictly in compliance to related laws and regulations in Malaysia and Vietnam.

Use of resources

The Group focuses on the use of resources such as energy, water and paper. By utilising them efficiently not only helps lowering the operating cost, but also reduces its carbon footprint. The Group believes that it relies on the efforts from all of the employees, therefore, we have to raise the environmental protection awareness among employees and proactively seeks opportunities for increasing operating efficiency in order to reduce the use of resources through key initiatives set up to achieve higher energy efficiency:

During the Financial Year, the Group's total use of resources are as follows:

Resource category	Item	Unit	Amount	Intensity (per tonne production volume)
Energy	Electricity	kWh'000	5,260	1.16
Water	Water	M^3	165,254	36.38
Paper	Office paper	tonnes	4.3	0.0009
Packing materials	Paper, box carton, plastic	tonnes	712	0.16

The above KPI does not form part of the consolidated financial statements. The above data are not independently audited or verified.

Electricity

The Group's electricity is mainly consumed by operations of machineries and office daily use. Proper production planning was in place to ensure efficient usage of machineries. The Group also started to replace traditional light bulbs with electricity-saving light bulbs and also educate the employees about the energy saving and conversation practices. To ensure the effective use of electricity, the following practices were conducted:

- Controlling temperature of the air-conditioner in the office;
- Switching off lights and air-conditioners in areas when not in use;
- Turning off idle machines and office equipment; and
- Using energy efficient equipment.

Water

Water is mainly consumed for dyeing process and daily operations. The wastewater from dyeing process was treated in accordance to applicable environmental standards and measures before discharged. The Group strives to minimise the water pollution with monitoring the water use in all facilities. We have encouraged our employees to increase the awareness of environmental protection, water pollution as well as water conservation. The following practices were adopted to further improve the utilisation efficiency of water resources:

- Regular inspection and maintenance on water tap, water pipe and water storage; and
- Reduction in usage of bottled water in meeting rooms by employees.

Paper

Paper was mainly consumed by office.

- Engaging employees to use double-side printing and reuse papers on one side in order to reduce paper;
- Using 70gsm paper for printing;
- Any announcement or information would only posted once at the notification board and notified the staff and workers through emails; and
- Use email to reduce fax paper consumption.

Packing materials

The Group uses carton box, paper and plastic as packing material. To reduce the use of packing materials, the Group uses alternative packaging method or uses recycle packing materials.

Adhere to that, the Group energy, water, paper and packing materials consumption were reduced, the GHG emissions also declined accordingly. The Group will continue to closely monitor the utilisation of resources and conduct regular assessment to seek better ways for contributing to environmental protection.

Environmental and natural resources

The Group does not involve in any activities that has direct or significant impact on the natural resources in the course of our business operation.

In consider of the potential threats of climate change to the communities, the Group has made steady progress in reducing its carbon footprints across its businesses. Emissions of GHG by the Group were mainly contributed by the boiler steam, consumption of electricity of machineries and wastewater. Regular assessment on the wastewater, steam emission from boiler to ensure the Group's operation does not have negative impact to surrounding environment and in compliance with local government standards. Routine inspection on the machineries to minimise the breakdown of machineries, in order to reduce production wastage and consumption of electricity.

Apart from the above, we employ multiple ways to reduce GHG such as telephone conference is held where possible to avoid any unnecessary overseas business travel while direct flights are chosen to reduce carbon emission caused by any inevitable business travel.

SOCIAL

Employment

Employees are our greatest assets. Our business success is dependent on how well we can attract, retain and develop our talents. We offer our employees ample opportunities to develop their career and competitive remuneration incentives. The Group expects that all employees and contractors treat one another with respect and dignity. The Group has put in place human resources policies and guidelines in compliance with the relevant labour laws and regulations of the local governments. The policies covered issues relating to compensation and dismissal, recruitment and promotion, working hours, leaves, equal opportunity, diversity anti-discrimination and other benefits and welfare.

The Group recruits its employees based on their industry experience and interpersonal skills. The Group reviews the performance of its employees and the review results will be taken into account in the salary review and promotion appraisal. The Group evaluates the development of competencies in the context of each person's role yearly.

The employees are one of the key stakeholders of the Group, the policies conducive to building a better working environment, more development opportunities and attractive employee benefits have contributed to employees' satisfaction levels and retention level. We aim to provide a good environment of a professional and harassment-free working environment. As part of its human resources policies, the Group organises recreational activities, such as team building & training programs, celebration of festivals and annual dinners to strengthen the bond among the employees.

During the Financial Year, the Group has strictly complied with relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, leaves, equal opportunity, diversity anti-discrimination and other benefits and welfare in Malaysia and Vietnam and the Group is not aware of any material non-compliance of the relevant employment laws and regulations that have a significant impact on the Group.

Health and Safety

The Group endeavours to ensure our employees are provided with a safe working environment. The Group has a safety and health policy and has implemented various measures at our production facilities to promote occupational health and safety and to ensure compliance with applicable laws and regulations. Health and safety on-the-job training will be conducted for all new employees as and when appropriate for continuous improvement. The Group also publishes 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 an Occupational Safety and Health Committee ("**OSHA**") 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. Fire drills, gas leakage control and spillage control are conducted on a regular basis and briefings in relation to evacuation procedures are given to employees. An Emergency Response Team was set up under purview of the OSHA to ensure that a quick response will be available to our people in the event of an emergency. Members of the team are given training on the use of fire fighting equipment, first aid, Cardiopulmonary Resuscitation (CPR) and other measures to be taken in the event of emergency.

As part of our internal reporting protocol, any workplace accidents, identified cases of occupational diseases and health and safety incidents shall be 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

The Group is committed to providing a healthy and safe workplace for all its employees. During the Financial Year, the Group has strictly complied with relevant laws and regulations relating to safe working environment and protecting employees from occupational hazards in Malaysia and Vietnam and the Group is not aware of any material non-compliance of the relevant health and safety laws and regulations that have a significant impact on the Group. Also, the Group was not subject to any punishment by the government and was not involved in any lawsuit related to health and safety. In addition, the Group did not experience any strike or labour dispute with its employees which had caused significant disruption to the Group's business operations.

Development and Training

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

Environmental, Social and Governance Report

During the Financial Year, the Group has organised a training to all Directors and Company Secretary on the topics relating to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and other applicable regulations to ensure compliance and enhance their awareness of good corporate governance practices.

The Group also organised some of trainings for employees to improve in work efficiency and better awareness of rules and regulations, for example:

- Microsoft Excel training for employees to advance their Excel skills
- Hearing conservation programme for the provision of the noise regulation.
- ISO trainings for better understanding of the management systems approach
- Training on Withholding tax for better understanding the law and practice
- Federation of Malaysian Manufactures Industrial Waste Management Conference 2017 on "Enhancing Self-Regulation and Waste Reduction" for raising awareness of better practices and safer solutions for waste disposal as well as providing updates on regulatory requirements on industrial waste management.

Labour Standards

The Group has guidelines setting the procedures and standards on recruitment by the management and human resource team. It is to ensure staff employment strictly complies with local employment regulations. The guidelines are reviewed on a regular basis so as to ensure the consistency with any update of the relevant rules and regulations in all locations of our operations.

During the Financial Year, the Group strictly complies with the local employment laws and regulations in all locations of our operations and does not engage in any forced or child labour.

OPERATING PRACTICES

Supply Chain Management

The Group has a wide range of suppliers globally providing various products and services. Supply chain management is critical in facilitating our operations and we aim to build mutually beneficial relationships with our suppliers in the long run. Therefore, the Group engages with suppliers fairly, transparently and ethically. The Group will review the suppliers based on, among other things, price and payment terms, product and service quality, operation scale and geographical proximity to our production facilities. We will take all reasonable efforts to conduct appropriate evaluations and assess the background information of the potential suppliers. We also perform tests on samples collected from potential suppliers and may engage them on trial basis. Quality evaluation reports for each of these potential suppliers are complied 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 failing 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.

During the Financial Year, the Group was not aware of any key suppliers and/or subcontractors that have any significant negative impact, either actual and/or potential on the business ethics, environmental protection and labour practices.

Product Responsibility

With the knowledge that reliable delivery of quality products to our customers is critical to our success, our Group has implemented quality control procedures throughout our production process. For instance, we only source raw materials from suppliers on our suppliers list and evaluate our suppliers from time to time and performs tests on samples collected from potential suppliers before engage them as our suppliers.

The Group ensures none of its products would harm the safety and health of our customers. Over the years, we had received a number of awards and certifications in recognition of our business development and quality standards including ISO 9001: 2008, ISO14001: 2015. ISO/TS 16949:2009, Oeko-Tex® Standard 100 Product Class I & II. As we are to supply to textile industry, the Oeko-Tex Standard 100 is widely used in this industry as a uniform global standard of testing and certification. The Oeko-Tex Standard 100 tests harmful substances at all stages of production, including raw materials, semi-finished products and finished products. Only manufacturers who comply with strict testing and inspection procedures and provide verifiable quality assurance are allowed to place the Oeko-Tex label on their products. The Group's management team members have equipped themselves with risk management knowledge by having attended risk management training, including understanding of ISO 9001 quality management system.

For any complaints from customers in relation to product quality, our quality control team will analyse the details of the complaints and the respective products and determine the reasons of and take safeguard measures to prevent it from happening in the future. The quality control team will identify reasons of defective products such as defective raw materials, improper or errors in manufacturing process or improper loading/unloading during transportation. Our procurement team will communicate and verify with suppliers for the quality issues on raw materials. Suppliers shall bear the responsibility once identified and confirmed, such raw materials supplier will be removed from our suppliers list if defective raw materials are being identified repeatedly. If the errors are identified in manufacturing process, the quality control team will analyse the details including going through the manufacturing process with production team. Production team will take immediate assessment on the production process so as to improve the production process and avoid the repeated mistakes occurred. The procurement team will communicate and verify with carriers for the improper loading/unloading and carriers shall bear the responsibility once identified and confirmed. Defective products will be collected from customers and replaced with new batch of products.

The Group had registered four trademarks and four domain names in Malaysia and Vietnam which are material in relation to our business. In addition, the Group has set up customer services team that are in charge of handling customer complaints. We are also committed to protecting customer's personal data. Data is our valuable asset. The Group has developed a policy of information management system to provide guidance to employees on control and usage of company data and to restrict access or use where necessary to protect the interests of the Group. Data is classified into different levels according to the confidentiality as public, internal, and restricted/confidential data.

During the Financial Year, the Group has strictly complied with relevant laws and regulations relating to product responsibility, in particular the health and safety, advertising, labelling of our products. Also, the Group was not aware of any incidents of non-compliance with relevant laws and regulations regarding health and safety, advertising, labelling, privacy matters relating to products and services provided and methods of redress that have significant impact on the Group.

ANTI-CORRUPTION

A series of policies, operating manuals and handbooks are in place which allow the Group to maintain high ethical standards and a workplace free from corruption.

All employees are expected to discharge their duties with integrity and to follow relevant local laws and regulations. The Group monitors closely the conduct of its management staff to prevent wrong-doings among the Board, senior management and staff, such as prohibiting transfer of benefits while considering new customers, suppliers or any project investment.

The Group has implemented the whistle blowing reporting procedures. Any person may report allegations of suspected serious misconduct or any breach or suspected breach of law or regulation that may adversely impact the Group, the Group's customers, shareholders, employees, investors or the public at large.

During the Financial Year, the Group has strictly complied with relevant anti-corruption laws and regulations relating to bribery, extortion, fraud and money laundering and the Group was not aware of any incidents on non-compliance with relevant laws and regulations.

COMMUNITY

Community Involvement

For the continuous effort in giving back to the society, the Group would seek for opportunities to get involved in various community programs. The Group's approach towards community involvement is as follows:

- The Group would fulfill corporate social responsibility through the sustainable development strategy to expand its efforts in the areas of charity work.

- Assessment will be taken on how to give business activities to the interests of community.

- The Group is committed to the provision of career opportunities to the locals and promotes the development of the community's economy.

To our poor and disabled communities

Financial assistance is always a direct way to support the needy minorities such as flood victims. Apart from donations, we believe helping and serving the community through visits could demonstrate our love and caring to the needy groups.

To our staff community

Work-life balance is one of the important elements in retaining employees in the Group. In this spirit, the Group has organised various activities to help relieve employees from work stress, as well as to foster employees' relationship, for example, the Group organised a weekly sports activities, annual dinners and team buildings activities.

Independent Auditor's Report

TO THE SHAREHOLDERS OF FURNIWEB HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Furniweb Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 56 to 119, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Disposal of a subsidiary

The Group reduced its equity interest in Furnitech Components (Vietnam) Co., Ltd. ("**FCV (VN)**"), a then subsidiary, from 82.01% to 45.06%. The calculation of the gain on disposal of Malaysian Ringgit ("**RM**") 6.8 million under IFRSs involved the determination of the fair value of the retained equity interest of 45.06% in FCV (VN) which is also the cost on initial recognition of the interest in FCV (VN) as an associate of the Group after the completion of the transaction.

We identified the accounting treatment for the disposal of FCV (VN) as a key audit matter because of its financial significance to the consolidated financial statements and the complexity of the related accounting treatment under IFRSs.

Refer to notes 18 and 33 to the consolidated financial statements and the accounting policy notes 4.1, 4.3 and 4.17 to the consolidated financial statements.

KEY AUDIT MATTERS *(Continued)*

Disposal of a subsidiary *(Continued)*

Our response:

Our audit procedures to assess the accounting treatment for disposal transaction included the following:

- understanding the transaction by reviewing the related share purchase agreement and members agreement;
- checking the calculation of the gain on disposal of FCV (VN) and tracing to the underlying accounting records, including the receipt of capital contribution by FCV (VN) from the new investor and relevant legal documents;
- assessing the reasonableness of management's measurement of the fair value of the retained equity interest in FCV (VN);
- evaluating the reasonableness of the purchase price allocation of the cost on initial recognition of interest in an associate — FCV (VN) for the determination of goodwill;
- discussing with management and evaluating the appropriateness of the accounting treatment of the transaction under IFRSs; and
- considering the overall adequacy of disclosures of the transaction in the consolidated financial statements.

Revenue recognition

Sale of goods is recognised as revenue when the significant risk and rewards of ownership of the goods have been transferred to the Group's customers and where the Group retains no continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group which could create an incentive for management to record revenue inappropriately to meet targets or expectations and because the large transaction volume increases the possibility of errors in recognising revenue.

Refer to notes 6 and 7 to the consolidated financial statements and the accounting policies in note 4.18 to the consolidated financial statements.

Our response:

Our audit procedures to assess the recognition of revenue included the following:

- obtaining an understanding of and assessing the design, implementation and testing the operating effectiveness of key internal controls over the completeness, existence and accuracy and timing of revenue recognition;
- assessing the appropriateness of the revenue recognition policy under the requirements of the prevailing IFRSs by inspecting samples of sales contracts with customers;
- testing, on a sampling basis, of sales transactions recorded during the year by inspection with relevant underlying documentation, which includes sales invoices and goods delivery notes with evidence of the customers' receipt of the goods and the date of receipt of the goods by the customers; and
- performing sales cut-off tests to ascertain that revenue was recognised in the correct accounting period.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Li Pak Ki

Practising Certificate Number: P01330

Hong Kong
15 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
Revenue	7	**109,745**	97,937
Cost of sales		**(79,514)**	(71,074)
Gross profit		**30,231**	26,863
Other income, net	8	**6,432**	861
Distribution costs		**(3,048)**	(2,609)
Administrative expenses		**(22,355)**	(16,666)
Interest income		**368**	485
Finance costs	13	**(1,144)**	(1,155)
Share of loss of an associate, net of tax	18	**(290)**	–
Share of profit of a joint venture, net of tax	19	**282**	215
Profit before income tax expense	9	**10,476**	7,994
Income tax expense	14	**(1,902)**	(1,326)
Profit for the year		**8,574**	6,668
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(3,099)**	1,210
Reclassification adjustments for a foreign subsidiary disposed of during the year		**(104)**	–
Share of other comprehensive income of an associate		**(45)**	–
Share of other comprehensive income of a joint venture		**(88)**	46
Other comprehensive income for the year, net of tax		**(3,336)**	1,256
Total comprehensive income for the year		**5,238**	7,924
Profit/(loss) attributable to:			
Owners of the Company		**8,804**	6,826
Non-controlling interests		**(230)**	(158)
		8,574	6,668
Total comprehensive income attributable to:			
Owners of the Company		**5,261**	8,085
Non-controlling interests		**(23)**	(161)
		5,238	7,924
Earnings per share			
— Basic and diluted (RM)	15	**2.18 cents**	1.81 cents

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
Non-current assets			
Property, plant and equipment	*16*	**33,478**	39,903
Intangible assets	*17*	**1,275**	1,277
Interest in an associate	*18*	**5,231**	–
Interest in a joint venture	*19*	**1,109**	1,355
Loan to a fellow subsidiary	*21(e)*	**–**	7,489
Deferred tax assets	*22*	**177**	3
		41,270	50,027
Current assets			
Inventories	*23*	**21,481**	23,888
Trade and other receivables	*20*	**17,670**	20,792
Amount due from a joint venture	*21(a)*	**78**	47
Amount due from an associate	*21(b)*	**4,853**	–
Amounts due from fellow subsidiaries	*21(c)*	**–**	7,819
Amount due from the ultimate holding company	*21(d)*	**–**	2,902
Current tax recoverable		**375**	283
Time deposits maturing over three months		**1,817**	127
Cash and bank balances		**36,376**	15,424
		82,650	71,282
Current liabilities			
Trade and other payables	*24*	**13,787**	21,924
Amounts due to fellow subsidiaries	*21(c)*	**–**	994
Amount due to the ultimate holding company	*21(d)*	**–**	8,216
Obligations under finance leases	*26*	**270**	256
Bank borrowings	*25*	**647**	1,445
Current tax liabilities		**499**	665
		15,203	33,500
Net current assets		**67,447**	37,782
Total assets less current liabilities		**108,717**	87,809
Non-current liabilities			
Obligations under finance leases	*26*	**340**	610
Bank borrowings	*25*	**9,917**	10,186
Deferred tax liabilities	*22*	**854**	996
		11,111	11,792
NET ASSETS		**97,606**	76,017
Equity			
Share capital	*27*	**27,285**	–
Reserves	*28*	**70,321**	75,994
Equity attributable to owners of the Company		**97,606**	75,994
Non-controlling interests		**–**	23
TOTAL EQUITY		**97,606**	76,017

On behalf of the Board

Mr. Cheah Eng Chuan
Director

Mr. Tan Chuan Dyi
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Share capital RM'000 (Note 27)	Share premium RM'000 (Note 28(a))	Capital reserve RM'000 (Note 28(b))	Merger reserve RM'000 (Note 28(c))	Exchange translation reserve RM'000 (Note 28(d))	Retained earnings RM'000	Equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total RM'000
Balance as at 1 January 2016		–	–	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 translation of foreign operations		–	–	–	–	1,213	–	1,213	(3)	1,210
Share of other comprehensive income of a joint venture, net of tax		–	–	–	–	46	–	46	–	46
Total comprehensive income		–	–	–	–	1,259	6,826	8,085	(161)	7,924
Transactions with owners										
Dividend paid	*29*	–	–	–	–	–	(10,507)	(10,507)	–	(10,507)
Capital contribution by ultimate holding company to a subsidiary	*40*	–	–	7,317	–	–	–	7,317	–	7,317
Total transactions with owners		–	–	7,317	–	–	(10,507)	(3,190)	–	(3,190)
Balance as at 31 December 2016		–	–	30,158	–	47	45,789	75,994	23	76,017
Balance as at 1 January 2017		**–**	**–**	**30,158**	**–**	**47**	**45,789**	**75,994**	**23**	**76,017**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**8,804**	**8,804**	**(230)**	**8,574**
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**(3,105)**	**–**	**(3,105)**	**6**	**(3,099)**
Reclassification adjustments for a foreign subsidiary disposed of during the year		**–**	**–**	**–**	**–**	**(305)**	**–**	**(305)**	**201**	**(104)**
Share of other comprehensive income of an associate, net of tax		**–**	**–**	**–**	**–**	**(45)**	**–**	**(45)**	**–**	**(45)**
Share of other comprehensive income of a joint venture, net of tax		**–**	**–**	**–**	**–**	**(88)**	**–**	**(88)**	**–**	**(88)**
Total comprehensive income		**–**	**–**	**–**	**–**	**(3,543)**	**8,804**	**5,261**	**(23)**	**5,238**
Transactions with owners										
Dividend paid/declared	*29*	**–**	**–**	**–**	**–**	**–**	**(26,593)**	**(26,593)**	**–**	**(26,593)**
Issue of ordinary shares for reorganisation	*27(a),(c)*	**1,081**	**–**	**(43,289)**	**42,208**	**–**	**–**	**–**	**–**	**–**
Issue of shares under public offer and placing	*27(d)*	**6,822**	**27,287**	**–**	**–**	**–**	**–**	**34,109**	**–**	**34,109**
Capitalisation issue	*27(e)*	**19,382**	**(19,382)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Share issue expenses		**–**	**(4,296)**	**–**	**–**	**–**	**–**	**(4,296)**	**–**	**(4,296)**
Capital contribution by ultimate holding company to a subsidiary	*40*	**–**	**–**	**13,131**	**–**	**–**	**–**	**13,131**	**–**	**13,131**
Total transactions with owners		**27,285**	**3,609**	**(30,158)**	**42,208**	**–**	**(26,593)**	**16,351**	**–**	**16,351**
Balance as at 31 December 2017		**27,285**	**3,609**	**–**	**42,208**	**(3,496)**	**28,000**	**97,606**	**–**	**97,606**

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 RM'000	2016 RM'000
Cash flows from operating activities			
Profit before income tax expense		**10,476**	7,994
Adjustments for:			
Amortisation of intangible assets	17	**22**	23
Depreciation of property, plant and equipment	16	**3,323**	3,634
Impairment loss on trade receivables	20	**38**	15
Reversal of impairment loss on trade receivables previously recognised	20	**(10)**	–
Inventories written down	23	**191**	587
Reversal of inventories written down	23	**(111)**	(63)
Gain on disposal of a subsidiary	33	**(6,824)**	–
Interest income		**(368)**	(485)
Finance costs	13	**1,144**	1,155
Net gain on disposal of property, plant and equipment	8	**(31)**	(118)
Property, plant and equipment written off	16	**–**	17
Share of loss of an associate, net of tax	18	**290**	–
Share of profit of a joint venture, net of tax	19	**(282)**	(215)
Net unrealised loss/(gain) on foreign exchange	8	**513**	(212)
Cash flows before movements in working capital		**8,371**	12,332
Increase in inventories		**(2,152)**	(1,846)
Decrease/(increase) in trade and other receivables		**1,827**	(1,688)
Increase in trade and other payables		**1,554**	4,050
Cash generated from operations		**9,600**	12,848
Tax refunded		**31**	495
Tax paid		**(2,480)**	(1,564)
Net cash generated from operating activities		**7,151**	11,779
Cash flows from investing activities			
Purchase of:			
Property, plant and equipment		**(2,026)**	(3,020)
Intangible assets	17	**(22)**	(4)
Decrease in loan to a fellow subsidiary		**36**	–
Increase in amounts due from fellow subsidiaries		**(173)**	(4,406)
(Increase)/decrease in amount due from a joint venture		**(34)**	48
Increase in amount due from the ultimate holding company		**(1,175)**	(914)
Dividend received from a joint venture	19	**440**	319
Interest received		**121**	62
Net proceeds from disposal of a subsidiary	33	**(4,668)**	–
Proceeds from disposal of property, plant and equipment		**83**	147
Deposits placed with financial institutions with original maturity of more than three months		**(1,717)**	(99)
Net cash used in investing activities		**(9,135)**	(7,867)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 RM'000	2016 RM'000
Net cash used in investing activities		**(9,135)**	(7,867)
Cash flows from financing activities			
Issue of shares under public offer and placing, net of share issue expenses		**29,813**	–
Decrease in amount due to a joint venture		**–**	(5)
Increase in amounts due to fellow subsidiaries		**–**	41
Increase/(decrease) in amount due to the ultimate holding company		**5,043**	(1,642)
Dividends paid	*29*	**(8,462)**	(3,190)
Interest paid		**(1,081)**	(1,022)
Drawdown of bank borrowings		**484**	941
Repayment of bank borrowings		**(843)**	(761)
Repayment of obligations under finance leases		**(256)**	(153)
Net cash generated from/(used in) financing activities		**24,698**	(5,791)
Net increase/(decrease) in cash and cash equivalents		**22,714**	(1,879)
Effects of exchange rate changes		**(1,102)**	157
Cash and cash equivalents at beginning of year		**14,764**	16,486
Cash and cash equivalents at end of year		**36,376**	14,764
Analysis of the balances of cash and cash equivalents			
Cash and bank balances *(Note)*		**36,376**	15,424
Bank overdraft	*25*	**–**	(660)
		36,376	14,764

Note: Cash and cash balances of RM6,287,000 and RM10,384,000 are held in Vietnam as at 31 December 2017 and 31 December 2016 respectively. Vietnamese Dong ("**VND**") is not generally freely convertible into other currencies. Under certain conditions, such as fulfillment 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.

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. On 16 October 2017, the Company's shares were listed on the GEM of The Stock Exchange of Hong Kong Limited.

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 Securities Berhad.

(b) Reorganisation

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

2. BASIS OF PREPARATION AND PRESENTATION

2.1 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

Functional and presentation currency

The functional currency of the Company is Hong Kong dollars ("**HK$**"), while the financial statements are presented in Malaysian Ringgit ("**RM**"), which is the functional currency of the Company's major operating subsidiaries. The directors consider that it is more appropriate to adopt RM as the Group's and the Company's presentation currency as the Group is a subsidiary of PRG Holdings which adopts RM as its reporting currency. All values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

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 International Limited ("**FIPB**") as new intermediate holding companies above the subsidiaries which carry on the Listing Business. 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 consolidated financial statements 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.

2. BASIS OF PREPARATION AND PRESENTATION *(Continued)*

2.2 Basis of presentation *(Continued)*

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows are prepared as if the current group structure had been in existence throughout the current year and prior year except for the reduction of the Company's interest in Furnitech Components (Vietnam) Co., Ltd. ("**FCV (VN)**") on 14 September 2017. The consolidated statements of financial position as at 31 December 2017 present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date taken into account the respective dates of incorporation and the reduction of the Company's interest in FCV (VN) on 14 September 2017.

Intercompany transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

3. ADOPTION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Adoption of new or revised IFRSs — effective 1 January 2017

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to IAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has resulted in additional disclosures presented in note 40, supplementary notes to consolidated statement of cash flows.

Amendments to IAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets and there was no debt instruments measured at fair value.

3. ADOPTION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(Continued)

(b) New/revised IFRSs that have been issued but are not yet effective

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

IFRS 9 (2014)	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018

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

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted

Further information about the above IFRSs which are expected to be applicable to the Group is as follows:

IFRS 9 (2014) — Financial Instruments

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:

(i) 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 and liabilities.

(ii) 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 directors of the Company expect that the adoption of an expected credit losses impairment model will result in earlier recognition of credit losses of the Group's trade receivables.

3. ADOPTION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

(b) New/revised IFRSs that have been issued but are not yet effective *(Continued)*

IFRS 15 — Revenue from Contracts with Customers

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 IFRS 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 IFRSs. 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.

IFRS 16 — Leases

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 30, 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 December 2017 amounted to RM7,982,000. 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 consolidated statement of financial position as right-of-use assets and lease liabilities.

3. ADOPTION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

(b) New/revised IFRSs that have been issued but are not yet effective *(Continued)*

Amendments to IFRS 10 and IAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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 — Foreign Currency Transactions and Advance Consideration

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 — Uncertainty over Income Tax Treatments

The interpretation supports the requirements of IAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

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 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 transactions-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.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as, when appropriate, the cost of initial recognition of an investment in an associate (see Note 4.3).

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.

4.2 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.

4.3 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

An associate is accounted for using the equity method whereby it is initially recognised at cost and thereafter, its carrying amount is adjusted for the Group's share of the post-acquisition change in the associate's net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 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 – 78 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 4.8 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.5 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 case, the economic life of the building is regarded as the economic life of the entire leased asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Investments

Joint arrangement

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Intangible assets

(i) Goodwill

Goodwill recognised in a business combination (including those involving additional acquisition of the Company's interest in subsidiaries which occurred before 1 July 2009) 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding interests in an associate and 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 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.

4.10 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 consolidated 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial instruments *(Continued)*

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 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.

4.12 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.14 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.

4.15 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.

4.16 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 at statutory fixed rates gazetted by the respective countries from time to time. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.17 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 consolidation, 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.

4.18 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 has 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 customer and where the Group retains no continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

(ii) Interest income

Interest income is recognised as it accrues, using the effective interest method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.19 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 consolidated 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 consolidated reported profit of all operating segments that did not report a loss; and

  (b) the consolidated reported loss of all operating segments that reported a loss.

(iii) Its assets are ten per cent or more of the consolidated 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 consolidated financial statements.

Total external revenue reported by operating segments shall constitute at least seventy five percent of the revenue of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 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 year.

(b) Key sources of estimation uncertainty

(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.

(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.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(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 income tax 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.

The Group determines its operating segments based on the reports reviewed by the chief executive officer 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 consolidated financial statements.

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

6. OPERATING SEGMENTS *(Continued)*

Year ended 31 December 2017	Elastic textile RM'000	Webbing RM'000	Other products RM'000	Elimination RM'000 *(Note)*	Total RM'000
Revenue					
Revenue from external customers	58,468	37,790	13,487	–	109,745
Inter-segment revenue	336	102	68	(506)	–
Total revenue	58,804	37,892	13,555	(506)	109,745
Segment cost of sales	(42,626)	(27,069)	(10,966)	1,147	(79,514)
Gross profit	16,178	10,823	2,589	641	30,231
Other income, net					6,432
Distribution costs					(3,048)
Administrative expenses					(22,355)
Interest income					368
Finance costs					(1,144)
Share of loss of an associate, net of tax					(290)
Share of profit of a joint venture, net of tax					282
Profit before income tax expense					10,476
Income tax expense					(1,902)
Profit for the year					8,574

Other segment item included in the consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2017 is as follows:

Depreciation included in cost of sales	2,016	369	385	–	2,770

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

6. OPERATING SEGMENTS *(Continued)*

Year ended 31 December 2016	Elastic textile RM'000	Webbing RM'000	Other products RM'000	Elimination RM'000 *(Note)*	Total RM'000
Revenue					
Revenue from external customers	53,290	32,028	12,619	–	97,937
Inter-segment revenue	457	133	238	(828)	–
Total revenue	53,747	32,161	12,857	(828)	97,937
Segment cost of sales	(38,170)	(23,183)	(11,173)	1,452	(71,074)
Gross profit	15,577	8,978	1,684	624	26,863
Other income, net					861
Distribution costs					(2,609)
Administrative expenses					(16,666)
Interest income					485
Finance costs					(1,155)
Share of profit of a joint venture, net of tax					215
Profit before income tax expense					7,994
Income tax expense					(1,326)
Profit for the year					6,668

Other segment item included in the consolidated 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	1,937	657	471	–	3,065

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 consolidated 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 an associate, interest in a joint venture, loan to a fellow subsidiary and deferred tax assets ("**Specified non-current assets**").

6. OPERATING SEGMENTS *(Continued)*

Geographical information *(Continued)*

	2017 **RM'000**	2016 RM'000
Revenue from external customers		
Malaysia	**8,667**	9,751
Vietnam	**38,655**	35,413
Asia Pacific (excluding Malaysia and Vietnam)	**27,960**	27,077
Europe	**16,391**	13,290
North America	**17,143**	11,556
Others	**929**	850
	109,745	97,937

	2017 **RM'000**	2016 RM'000
Specified non-current assets		
Malaysia	**20,823**	21,924
Vietnam	**13,930**	19,256
	34,753	41,180

Major customers

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

During the year ended 31 December 2016, the Group generated revenue from transactions with a single external customer from elastic textile segment of RM10,652,000 which amount to over 10% of the total revenue of the Group.

7. REVENUE

Revenue represents the net invoiced value of goods sold.

8. OTHER INCOME, NET

	2017 RM'000	2016 RM'000
(Loss)/gain on foreign exchange, net		
— realised	**(603)**	49
— unrealised	**(513)**	212
Commission income	**137**	75
Gain on disposal of a subsidiary	**6,824**	–
Sales of scrap	**215**	205
Gain on disposal of property, plant and equipment	**31**	118
Others	**341**	202
	6,432	861

9. PROFIT BEFORE INCOME TAX EXPENSE

	Note	2017 RM'000	2016 RM'000
Profit before income tax expense is arrived at after charging/(crediting):			
Auditors' remuneration		**372**	147
Amortisation of intangible assets	*17*	**22**	23
Cost of inventories recognised as expenses		**41,021**	36,429
Depreciation of property, plant and equipment	*16*	**3,323**	3,634
Gain on disposal of a subsidiary		**(6,824)**	–
Listing expenses (including professional fees and other expenses)		**7,153**	2,404
Interest income from:			
— fixed deposits		**(82)**	(30)
— bank balances		**(39)**	(32)
— advance to an associate		**(36)**	–
— advance to a fellow subsidiary		**(211)**	(423)
Inventories written down	*23*	**191**	587
Reversal of inventories written down		**(111)**	(63)
Net gain on disposal of property, plant and equipment		**(31)**	(118)
Property, plant and equipment written off		**–**	17
Rental expenses on:			
— building		**364**	380
— land		**362**	379
Impairment loss of trade receivables	*20*	**38**	15
Reversal of impairment loss of trade receivables	*20*	**(10)**	–
Employee costs included in:	*10*		
— cost of sales		**19,790**	17,714
— distribution costs		**402**	321
— administrative expenses		**11,266**	10,848

10. EMPLOYEE COSTS

	2017 RM'000	2016 RM'000
Employee costs (including directors) comprise:		
Wages, salaries and bonuses	**24,162**	23,995
Contributions to defined contribution plans	**3,546**	3,314
Other benefits	**3,750**	1,574
	31,458	28,883

There are no forfeited contributions for the above defined contribution plans as the contributions are fully vested with the employees upon payment to the plans.

11. DIRECTORS' EMOLUMENTS

The emoluments of each of the directors for 31 December 2017 and 2016 are set out as follows:

For the year ended 31 December 2017

	Fees RM'000	Salaries and other benefits RM'000	Discretionary bonus RM'000	Contributions to defined contribution plans RM'000	Total RM'000
Non-executive director					
Dato' Lim Heen Peok	23	–	–	–	23
Executive directors					
Mr. Cheah Eng Chuan	–	756	479	223	1,458
Mr. Tan Chuan Dyi	–	683	165	132	980
Dato' Lua Choon Hann	–	84	–	16	100
Independent non-executive directors					
Mr. Ho Ming Hon	17	–	–	–	17
Dato' Sri Wee Jeck Seng	17	–	–	–	17
Dato' Dr. Hou Kok Chung	17	–	–	–	17
	74	1,523	644	371	2,612

11. DIRECTORS' EMOLUMENTS *(Continued)*

For the year ended 31 December 2016

	Fees RM'000	Salaries and other benefits RM'000	Discretionary bonus RM'000	Contributions to defined contribution plans RM'000	Total RM'000
Non-executive director					
Dato' Lim Heen Peok	–	–	–	–	–
Executive directors					
Mr. Cheah Eng Chuan	–	764	238	143	1,145
Mr. Tan Chuan Dyi	–	675	192	128	995
Dato' Lua Choon Hann	–	–	–	–	–
	–	1,439	430	271	2,140

Salaries, allowances and other benefits paid to or for the executive directors are generally emoluments in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

In addition to the directors' emoluments disclosed above, Dato' Lim Heen Peok and Dato' Lua Choon Hann received emoluments from PRG Holdings for the years ended 31 December 2017 and 2016 as follows:

	2017 RM'000	2016 RM'000
Dato' Lim Heen Peok	**53**	70
Dato' Lua Choon Hann	**793**	751

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.

(ii) During the year, 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 (2016: Nil). In addition, none of the directors has waived or agreed to waive any emoluments during the year (2016: Nil).

(iii) The emoluments of Dato' Lua Choon Hann received from PRG Holdings were in respect of the period from 1 January to 19 September 2017.

12. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, 2 (2016: 2) were directors of the Company whose emoluments are included in the disclosures in Note 11 above. The emoluments of the remaining 3 (2016: 3) individuals were as follows:

	2017 RM'000	2016 RM'000
Salaries and other benefits	1,258	1,515
Contributions to defined contribution plans	190	212
	1,448	1,727

The emoluments of each of the above highest paid individuals (excluding the directors of the Company) during 2017 were all within the following bands:

	2017 Number of individuals	2016 Number of individuals
Nil to HK$1,000,000	2	3
HK$1,000,001 to HK$1,500,000	1	–
	3	3

13. FINANCE COSTS

	2017 RM'000	2016 RM'000
Interest on bank overdrafts	9	16
Interest on bank borrowings	1,036	981
Interest on amount due to the ultimate holding company	63	128
Interest on obligations under finance leases	36	30
	1,144	1,155

14. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statements of profit or loss and other comprehensive income represents:

	2017 RM'000	2016 RM'000
Current tax		
— provision for the year	2,104	1,689
— under/(over) provision in prior years	114	(192)
	2,218	1,497
Deferred tax (Note 22)		
— current year	(170)	(60)
— over provision in prior years	(146)	(111)
	(316)	(171)
Income tax expense	1,902	1,326

14. INCOME TAX EXPENSE *(Continued)*

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

The Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) for the year ended 31 December 2017.

Provision for Vietnamese corporate income tax ("**CIT**") for the year ended 31 December 2017 is made at the preferential CIT rate of 15% (2016: 15%) on the assessable profits of Furniweb (Vietnam) Shareholding Company ("**FVSC (VN)**").

Provision for CIT for Premier Elastic Webbing & Accessories (Vietnam) Co. Ltd. ("**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. Provision for CIT for PEWAV (VN) for the year ended 31 December 2017 is made at 15% on the assessable profits of PEWAV (VN).

FCV (VN) had no liability to CIT for the period ended 13 September 2017 and the year ended 31 December 2016 as FCV (VN) sustained losses for CIT purposes.

The income tax expense for the year can be reconciled to the profit before income tax expense in the consolidated statements of profit or loss and other comprehensive income as follows:

	2017 **RM'000**	2016 RM'000
Profit before income tax expense	**10,476**	7,994
Tax calculated at Malaysian statutory tax rate of 24%	**2,514**	1,919
Effect of different tax rates in Vietnam	**(614)**	(791)
Tax incentive	**(339)**	(151)
Tax effect of expenses not deductible for tax purposes	**2,129**	827
Tax effect of revenue not taxable	**(1,929)**	(120)
Deferred tax assets not recognised	**196**	274
Utilisation of previously unrecognised deferred tax asset	**–**	(292)
Tax effect of share of profit of a joint venture	**(59)**	(37)
Under/(over) provision of income expense in prior years	**114**	(192)
Over provision of deferred tax in prior years	**(149)**	(111)
Others	**39**	–
Income tax expense	**1,902**	1,326

15. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of Company is based on the following data:

	2017 RM'000	2016 RM'000
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**8,804**	6,826
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note)*	**404,581,000**	378,000,000

Note: The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue had been effective on 1 January 2016.

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for the years ended 31 December 2017 and 2016.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Long-term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Construction in progress RM'000	Total RM'000
Cost								
At 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 1 January 2017	**1,009**	**6,859**	**33,200**	**49,297**	**2,469**	**2,927**	**675**	**96,436**
Additions	**–**	**–**	**97**	**1,782**	**27**	**–**	**120**	**2,026**
Disposals	**–**	**–**	**–**	**(30)**	**(4)**	**(227)**	**–**	**(261)**
Disposal of a subsidiary	**–**	**–**	**(3,773)**	**(2,769)**	**(38)**	**(59)**	**–**	**(6,639)**
Translation adjustments	**–**	**–**	**(1,314)**	**(2,247)**	**(63)**	**(49)**	**(11)**	**(3,684)**
Reclassification	**–**	**–**	**–**	**619**	**–**	**–**	**(619)**	**–**
At 31 December 2017	**1,009**	**6,859**	**28,210**	**46,652**	**2,391**	**2,592**	**165**	**87,878**

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Freehold land	Long-term leasehold land	Buildings	Plant and machinery	Furniture, fittings and office equipment	Motor vehicles	Construction in progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation								
At 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 1 January 2017	**–**	**1,482**	**10,487**	**41,026**	**2,007**	**1,531**	**–**	**56,533**
Charge for the year	**–**	**88**	**1,044**	**1,664**	**126**	**401**	**–**	**3,323**
Disposals	**–**	**–**	**–**	**(30)**	**(4)**	**(174)**	**–**	**(208)**
Disposal of a subsidiary	**–**	**–**	**(801)**	**(2,100)**	**(28)**	**(59)**	**–**	**(2,988)**
Translation adjustments	**–**	**–**	**(504)**	**(1,666)**	**(50)**	**(40)**	**–**	**(2,260)**
At 31 December 2017	**–**	**1,570**	**10,226**	**38,894**	**2,051**	**1,659**	**–**	**54,400**
Net book value								
At 31 December 2017	**1,009**	**5,289**	**17,984**	**7,758**	**340**	**933**	**165**	**33,478**
At 31 December 2016	1,009	5,377	22,713	8,271	462	1,396	675	39,903

(a) As at 31 December 2017 and 2016, freehold land, long term leasehold land, buildings and certain plant and machinery of the Group with carrying amount of RM25,133,000 and RM30,515,000 respectively are pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 25.

(b) As at 31 December 2017 and 2016, property, plant and equipment of the Group included motor vehicles acquired under finance lease arrangements with carrying amounts of RM782,000 and RM1,061,000 respectively.

17. INTANGIBLE ASSETS

	Goodwill RM'000	Computer software RM'000	License RM'000	Total RM'000
Cost				
At 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	**–**	**22**	**–**	**22**
Disposal of a subsidiary	**–**	**(32)**	**(20)**	**(52)**
Translation adjustments	**–**	**(16)**	**(2)**	**(18)**
At 31 December 2017	**1,233**	**310**	**–**	**1,543**
Accumulated amortisation and impairment				
At 1 January 2016	–	265	19	284
Charge for the year	–	21	2	23
Translation adjustment	–	6	1	7
At 31 December 2016 and 1 January 2017	**–**	**292**	**22**	**314**
Charge for the year	**–**	**22**	**–**	**22**
Disposal of a subsidiary	**–**	**(32)**	**(20)**	**(52)**
Translation adjustment	**–**	**(14)**	**(2)**	**(16)**
At 31 December 2017	**–**	**268**	**–**	**268**
Net book value				
At 31 December 2017	**1,233**	**42**	**–**	**1,275**
At 31 December 2016	1,233	44	–	1,277

17. INTANGIBLE ASSETS *(Continued)*

(a) Goodwill

	2017 **RM'000**	2016 RM'000
Goodwill, gross	**1,233**	1,233
Less: Impairment loss	**–**	–
Goodwill, net	**1,233**	1,233

The carrying amount of goodwill arising from the further acquisition of 40% equity interest in Furniweb Safety Webbing Sdn. Bdh. ("**FSWSB (MY)**") in 2006 had been allocated to the CGU of manufacture and sale of safety webbing operated by FSWSB (MY).

(i) For the purpose of impairment testing as at 31 December 2017 and 2016, 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 2017 and 2016 is derived based on management's cash flow projections for three years from 2018 to 2020 and 2017 to 2019 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 5% to 10% and 12% to 18% per annum for the years 2018 to 2020 and 2017 to 2019 respectively.

(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 13.96% was applied for the year ended 31 December 2017 and 17.28% was applied for the year ended 31 December 2016 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 AN ASSOCIATE

	2017 **RM'000**	2016 RM'000
Share of net assets other than goodwill	**1,987**	–
Goodwill	**3,244**	–
	5,231	–

Name	**Place and date of incorporation**	**Issued and paid-up capital**	Effective interest held by the Company: As at 31 December 2016	Effective interest held by the Company: **As at 31 December 2017**	**Principal activities**
Associate					
FCV (VN)	The Socialist Republic of Vietnam ("**Vietnam**") 4 August 2004	United States Dollars ("**USD**") 3,910,000 *(Note)*	82.01%	**45.06%** ***(Note)***	Manufacture and sale of metal components for furniture

Note: 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. See also Note 33 on the calculation of gain on disposal of FCV (VN).

The summarised financial information of the associate, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are as follows:

	2017 **RM'000**
Assets and liabilities	
Non-current assets	**5,696**
Current assets	**7,146**
Current liabilities	**(8,433)**
Net assets	**4,409**
Reconciliation to the Group's interest in an associate:	
Proportion of the Group's ownership	**45.06%**
Share of net assets other than goodwill	**1,987**
Goodwill	**3,244**
Carrying amount of the investment	**5,231**
Included in the net assets are:	
Cash and cash equivalents	**3,030**
Current financial liabilities (excluding trade and other payables)	**(4,953)**

18. INTEREST IN AN ASSOCIATE *(Continued)*

	2017 RM'000
Results	
Revenue	**1,550**
Loss before income tax expense	**(643)**
Income tax expense	**–**
Loss after tax	**(643)**
Other comprehensive income:	
Foreign currency translations	**(95)**
Total comprehensive income	**(738)**
Reconciliation to the Group's interest in an associate:	
Proportion of the Group's ownership	**45.06%**
Loss before income tax expense	**(290)**
Included in the above amounts are:	
Depreciation and amortisation	**(52)**
Interest expense	**(58)**

19. INTEREST IN A JOINT VENTURE

	2017 RM'000	2016 RM'000
Share of net assets	**1,109**	1,355

Name	Place and date of incorporation	Issued and paid-up capital	Effective interest held by the Company As at 31 December 2016	Effective interest held by the Company As at 31 December 2017	Principal activities
Joint venture					
Trunet (Vietnam) Co., Ltd.	Vietnam 15 February 2001	USD300,000	50%	**50%**	Manufacture and marketing of meat netting

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 consolidated financial statements using the equity method.

19. INTEREST IN A JOINT VENTURE *(Continued)*

The summarised financial information of the joint venture, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are as follows:

	2017 RM'000	2016 RM'000
Assets and liabilities		
Non-current assets	**195**	251
Current assets	**2,285**	2,659
Current liabilities	**(261)**	(200)
Net assets	**2,219**	2,710
Reconciliation to the Group's interest in a joint venture:		
Proportion of the Group's ownership	**50%**	50%
Carrying amount of the investment	**1,109**	1,355
Included in the net assets are:		
Cash and cash equivalents	**1,353**	1,544
Current financial liabilities (excluding trade and other payables)	**(118)**	(99)
Results		
Revenue	**3,644**	3,274
Profit before income tax expense	**681**	505
Income tax expense	**(118)**	(74)
Profit after tax	**563**	431
Other comprehensive income:		
Foreign currency translations	**(174)**	92
Total comprehensive income	**389**	523
Other information:		
Dividend received from the joint venture	**(440)**	(319)
Included in the above amounts are:		
Depreciation and amortisation	**(47)**	(49)
Interest expense	**–**	(88)

The joint venture had no contingent liabilities and capital commitments as at 31 December 2017 and 2016.

20. TRADE AND OTHER RECEIVABLES

	2017 RM'000	2016 RM'000
Trade receivables	14,978	16,932
Other receivables	2,692	3,860
	17,670	20,792

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 2017 and 2016 are as follows:

	2017 RM'000	2016 RM'000
Within 30 days	7,468	8,145
31 to 60 days	4,045	4,304
61 to 90 days	1,955	2,834
Over 90 days	1,510	1,649
	14,978	16,932

The ageing of trade receivables which are past due but not impaired as at 31 December 2017 and 2016 are as follows:

	2017 RM'000	2016 RM'000
Neither past due nor impaired	11,943	12,978
Past due but not impaired		
— Within 30 days	2,634	2,769
— 31 to 60 days	202	913
— 61 to 90 days	33	87
— Over 90 days	166	185
	14,978	16,932

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

20. TRADE AND OTHER RECEIVABLES *(Continued)*

None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated as at 31 December 2017 (2016: Nil).

The Group has trade receivables amounting to RM3,035,000 and RM 3,954,000 that are past due as at 31 December 2017 and 2016 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:

	2017 **RM'000**	2016 RM'000
At 1 January	**89**	135
Impairment loss recognised	**38**	15
Recovery of impairment loss previously recognised	**(10)**	–
Bad debt written off	**–**	(64)
Exchange differences	**(9)**	3
At 31 December	**108**	89

Trade receivables that are individually determined to be impaired as at 31 December 2017 and 2016 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.

Included in the Group's trade receivables are amounts due from the Group's joint ventures and an associate of RM40,000 and RM42,000 respectively (2016: nil) which are repayable on credit terms similar to those offered to the other customers of the Group.

21. AMOUNTS DUE FROM/TO A JOINT VENTURE/ASSOCIATE/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:

	2017 **RM'000**	2016 RM'000
Trunet (Vietnam) Co. Ltd.	**78**	47

The amount due from a joint venture is non-trade in nature, unsecured, interest-free and repayable on demand.

Details of the Group's trade balances with its joint venture as at the end of the reporting period are disclosed in Notes 20 and 24.

21. AMOUNTS DUE FROM/TO A JOINT VENTURE/ASSOCIATE/FELLOW SUBSIDIARIES/ ULTIMATE HOLDING COMPANY AND LOAN TO A FELLOW SUBSIDIARY *(Continued)*

(b) Balances with an associate

Particulars of the amount due from an associate are as follows:

	2017 RM'000	2016 RM'000
FCV (VN)	**4,853**	–

The amount due from an associate is non-trade in nature, unsecured, interest-free and repayable on demand, except for RM4,664,000 as at 31 December 2017, which is interest-bearing at 3% per annum and repayable on 31 December 2018.

Details of the Group's balances with its associate as at the end of the reporting period are disclosed in Note 20.

(c) Balances with fellow subsidiaries

Group

(i) Particulars of the amounts due from fellow subsidiaries are as follows:

	2017 RM'000	2016 RM'000
Premier Construction Sdn. Bhd.	–	2,327
Premier De Muara Sdn. Bhd.	–	2,286
PRG Property Sdn. Bhd. (formerly known as Premier Gesture Sdn. Bhd. prior to 21 June 2017)	–	3,206
	–	7,819

The amounts due from fellow subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

(ii) As at 31 December 2016, the amount due to PRG Property Sdn. Bhd. (formerly known as Premier Gesture Sdn. Bhd. prior to 21 June 2017) of RM994,000 is non-trade in nature, unsecured, interest-free and repayable on demand.

(d) Balances with the ultimate holding company

Group

(i) Particulars of the amount due from the ultimate holding company are as follows:

	2017 RM'000	2016 RM'000
PRG Holdings	–	2,902

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 RM2,898,000 as at 31 December 2016, which is interest-bearing at 4% per annum and repayable on 31 December 2017.

21. AMOUNTS DUE FROM/TO A JOINT VENTURE/ASSOCIATE/FELLOW SUBSIDIARIES/ ULTIMATE HOLDING COMPANY AND LOAN TO A FELLOW SUBSIDIARY *(Continued)*

(e) Particulars of loan to a fellow subsidiary are as follows:

	2017 RM'000	2016 RM'000
Premier De Muara Sdn. Bhd.	–	7,489

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.

(f) Balance with subsidiaries

Company

The amounts due to subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

22. DEFERRED TAX

(a) Details of the deferred tax liabilities and assets recognised and movement during the current and prior years are as follows:

	Accelerated depreciation and industrial building allowances RM'000	Unabsorbed tax losses RM'000	Other deductible temporary differences RM'000	Others RM'000	Total RM'000
At 1 January 2016	1,354	(17)	(158)	(15)	1,164
Recognised in profit or loss	(260)	–	77	12	(171)
At 31 December 2016 and 1 January 2017	**1,094**	**(17)**	**(81)**	**(3)**	**993**
Recognised in profit or loss	**4**	**–**	**(289)**	**(31)**	**(316)**
At 31 December 2017	**1,098**	**(17)**	**(370)**	**(34)**	**677**

(b) The following is the analysis of the deferred tax balance for financial reporting purposes after appropriate offsetting:

	2017 RM'000	2016 RM'000
Deferred tax assets	**(177)**	(3)
Deferred tax liabilities, net	**854**	996
	677	993

22. DEFERRED TAX *(Continued)*

(c) The amounts of tax losses for which no deferred tax assets have been recognised in the consolidated statements of financial position are as follows:

	2017 RM'000	2016 RM'000
Unrecognised tax losses		
— Malaysia subsidiaries	**264**	284
— Vietnam subsidiary	**–**	3,523
	264	3,807

The unrecognised tax losses of RM3,523,000 as at 31 December 2016 were related to FCV (VN) which ceased to be a subsidiary of the Company on 14 September 2017.

As at 31 December 2017, there were no unrecognised tax losses of Vietnam subsidiary.

As at 31 December 2016, the unrecognised tax losses of Vietnam subsidiary amounting to approximately VND19,065,234,000 equivalent to RM3,523,000, will expire in:

	2017 RM'000	2016 RM'000
2017	**–**	326
2018	**–**	259
2019	**–**	592
2020	**–**	1,472
2021	**–**	874
	–	3,523

As at 31 December 2016, no deferred tax assets has been recognised in respect of the above tax losses as it is not probable that future taxable profit of the Vietnam subsidiary 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.

23. INVENTORIES

	2017 RM'000	2016 RM'000
Raw materials	**11,132**	10,661
Work in progress	**3,207**	4,083
Finished goods	**5,660**	7,624
Other consumables	**1,482**	1,520
	21,481	23,888

Inventories written down during the years ended 31 December 2017 and 2016 amounted to RM191,000 and RM587,000 and are included in cost of sales.

During the years ended 31 December 2017 and 2016, the Group reversed RM111,000 and RM63,000 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.

24. TRADE AND OTHER PAYABLES

	2017 RM'000	2016 RM'000
Trade payables	**5,607**	6,102
Bills payable	**4,105**	10,141
Other payables	**4,075**	5,681
	13,787	21,924

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 2017 and 2016 are as follows:

	2017 RM'000	2016 RM'000
Within 30 days	**3,690**	5,350
31 to 60 days	**2,890**	3,243
61 to 90 days	**1,520**	2,808
Over 90 days	**1,612**	4,842
	9,712	16,243

Included in the trade and other payables are trade payables of RM48,000 (2016: nil) due to a joint venture which are repayable on credit terms similar to those offered by the joint venture to its customers.

25. BANK BORROWINGS

	2017 RM'000	2016 RM'000
Term loans (secured) (Notes (a) and (b))	**10,564**	10,971
Bank overdraft (secured) (Note (a))	**–**	660
	10,564	11,631
Borrowings are repayable as follows:		
— within one year	**647**	1,445
— after one year but within two years	**273**	251
— after two years but within five years	**905**	832
— after five years	**8,739**	9,103
	10,564	11,631
Amount due within one year included in current liabilities	**647**	1,445
Amount include in non-current liabilities	**9,917**	10,186

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 2017 and 2016 ranged from 3.50% to 8.79% and 3.25% to 8.45% per annum respectively.

(b) As at 31 December 2017 and 2016, 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 RM9,917,000 and RM 10,186,000, 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 2017 and 2016 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 2017 and 2016, a pledge over the Group's freehold land, long-term leasehold land, buildings and certain plant and machinery with a total carrying amount of RM25,133,000 and RM30,515,000 respectively, as disclosed in Note 16 to the Consolidated Financial Statements.

(ii) As at 31 December 2016, corporate guarantees issued by PRG Holdings, joint and several personal guarantee of RM1,650,000 issued by Mr. Cheah Eng Chuan and other directors of a wholly-owned subsidiary. On 15 May 2017, the bank approved the release of these guarantees. The bank confirmed in writing that it is in the midst of its administrative process for perfecting the relevant documents.

(d) As at 31 December 2017, the Group had aggregate bank borrowing facilities of approximately RM31,500,000 (2016: RM41,762,000), of which RM15,481,000 (2016: RM18,240,000) was unutilised as at the same date.

26. OBLIGATIONS UNDER FINANCE LEASE

The Group financed certain motor vehicles purchase through finance lease arrangement.

	Minimum lease payments	Interest	Present value of minimum lease payments
	RM'000	RM'000	RM'000
As at 31 December 2016			
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	352	12	340
	936	70	866
As at 31 December 2017			
Not later than one year	**292**	**22**	**270**
Later than one year but not later than two years	**256**	**9**	**247**
Later than two years but not later than five years	**96**	**3**	**93**
	644	**34**	**610**

The present value of future lease payments are analysed as:

	2017	2016
	RM'000	RM'000
Current liabilities	**270**	256
Non-current liabilities	**340**	610
	610	866

27. SHARE CAPITAL

	Number	Amount HK$'000
Ordinary shares of par value of HK$0.1 each		
Authorised		
On date of incorporation on 3 March 2017 (Note (a))	1,000,000	100
Increase in authorised share capital on 21 September 2017 (Note (b))	999,000,000	99,900
At end of the year	1,000,000,000	100,000

	Number	Amount HK$'000	Amount RM'000
Ordinary shares of par value of HK$0.1 each			
Issued and fully paid			
On 21 September 2017 (Note (c))	20,000,000	2,000	1,081
Issue of shares under public offer and placing (Note (d))	126,000,000	12,600	6,822
Capitalisation issue (Note (e))	358,000,000	35,800	19,382
At end of the year	504,000,000	50,400	27,285

(a) 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.

(b) 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.

(c) 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.

(d) 126,000,000 new ordinary shares of par value of HK$0.1 each were issued, by way of public offer and placing, at a price of HK$0.5 per share.

(e) Pursuant to the written resolutions of the sole shareholder passed on 20 September 2017, conditional upon the share premium account of the Company being credited with the proceeds of the public offer and placing, the directors were authorised to allot and issue a total of 358,000,000 shares credited as fully paid at par to PRG Holdings by way of capitalisation of the sum of HK$35,800,000 standing to the credit of the share premium account of the Company.

28. RESERVES

The Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. The nature and purpose of the reserves are as follows:

(a) Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

(b) Capital reserve

As at 31 December 2016, capital reserve represented the aggregate amount of issued share capital of Furniweb Manufacturing Sdn. Bhd. ("**FMSB (MY)**"), Texstrip Manufacturing Sdn. Bhd. ("**TMSB (MY)**"), TS Meditape Sdn. Bhd. ("**TSMSB(MY)**"), Webtex Trading Sdn. Bhd. ("**WTSB (MY)**"), FVSC (VN) and 42.86% of the issued share capital of PEWAV (VN).

(c) Merger reserve

Merger reserve represents the difference between the investment costs in subsidiaries and the aggregate amount of issued share capital of subsidiaries acquired pursuant to the Reorganisation.

(d) Exchange translate reserve

Exchange translate reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 4.17.

The Company

	Share premium RM'000	Contributed surplus RM'000	Exchange translation reserve RM'000	Accumulated loss RM'000	Total RM'000
Issue of ordinary shares by the Company pursuant to the Reorganisation (Note 27(c))	–	68,936	–	–	68,936
Issue of shares, share offer and placing (Note 27(d))	27,287	–	–	–	27,287
Capitalisation issue (Note 27(e))	(19,382)	–	–	–	(19,382)
Share issue expenses	(4,296)	–	–	–	(4,296)
Other comprehensive income	–	–	(615)	–	(615)
Loss for the year	–	–	–	(10,023)	(10,023)
At 31 December 2017	3,609	68,936	(615)	(10,023)	61,907

The contributed surplus of the Company represents the difference between the net asset value of the subsidiaries acquired and the nominal value of the shares of the Company issued in exchange thereof pursuant to the Reorganisation.

29. DIVIDEND

	2017 RM'000	2016 RM'000
Final dividend paid in respect of the year ended 31 December 2015	**2,208**	10,507
Final dividend paid/declared in respect of the year ended 31 December 2016	**24,385**	–

No dividend has been paid or declared by the Company since its incorporation. For the purpose of the consolidated financial statements, the dividends for the years ended 31 December 2017 and 2016 represented final dividends paid/declared by the following subsidiaries to PRG Holdings:

	2017 RM'000	2016 RM'000
FVSC (VN)	**21,593**	10,507
FIPB	**5,000**	–
	26,593	10,507

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 Reorganisation in preparation for the Listing.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. OPERATING LEASES

As at 31 December 2017 and 2016, the Group had operating lease commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 RM'000	2016 RM'000
Not later than one year	**474**	622
Later than one year and not later than five years	**1,258**	2,069
Later than five years	**6,250**	10,570
	7,982	13,261

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.

31. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2017 RM'000
Non-current asset		
Interests in subsidiaries	*32*	**69,980**
Current assets		
Other receivables		**121**
Cash and bank balances		**19,635**
		19,756
Current liabilities		
Other payables		**349**
Amounts due to subsidiaries	*21(f)*	**195**
		544
Net current assets		**19,212**
NET ASSETS		**89,192**
Equity		
Share capital	*27*	**27,285**
Reserves	*28*	**61,907**
TOTAL EQUITY		**89,192**

On behalf of the Board

Mr. Cheah Eng Chuan
Director

Mr. Tan Chuan Dyi
Director

32. INTEREST IN SUBSIDIARIES

Details of the subsidiaries, all of which are private companies with limited liabilities except for FVSC (VN) which is a joint-stock company, are as follows:

Name	Place and date of incorporation and place of its operation	Issued and paid-up capital	Effective interest held by the Company As at 31 December 2017	Effective interest held by the Company As at 31 December 2016	Principal activities
Directly held subsidiary					
FIPB	British Virgin Islands 28 December 2016	USD101	**100%**	100%	Investment holding
Indirectly held subsidiary					
FMSB (MY)	Malaysia 3 October 1987	RM5,827,500	**100%**	100%	Manufacture and sale of upholstery webbings, covered elastic yarn and rigid webbings
FSWSB (MY)	Malaysia 19 June 1996	RM2,501,000	**100%**	100%	Manufacture and sale of safety webbings
FVSC (VN)	Vietnam 16 January 1997	VND147,000,000,000 (Note 1)	**100%**	99.99975%	Manufacture and sale of upholstery webbings and covered elastic yarn
PEWA (VN)	Vietnam 23 January 2002	USD2,100,000	**100%**	100%	Manufacture and sale of narrow elastic fabrics
Syarikat Sri Kepong Sdn. Bhd.	Malaysia 5 December 1974	RM50,000	**100%**	100%	Property holding company
TMSB (MY)	Malaysia 13 June 1988	RM2,700,000	**100%**	100%	Manufacture and marketing of rubber strips and sheets
TSMSB (MY)	Malaysia 29 December 1994	RM2,490,000	**100%**	100%	Marketing and sale of rubber strips and sheets
WTSB (MY)	Malaysia 23 November 1984	RM32,250,000	**100%**	100%	Investment holding and trading of machinery and accessories

None of the subsidiaries had issued any debt securities at the end of the year.

33. DISPOSAL OF A SUBSIDIARY

On 26 July 2017, FVSC (VN), Scoot Filoot Pty Ltd and Shann Australia Pty Ltd entered into a share purchase agreement with Lubra Beteiligungsgesellschaft mbH ("**Lubra**") to transfer 14.24%, 2.09% and 1.04% an aggregate of 17.37% equity interest in FCV (VN) to Lubra at a consideration of USD9,179 (approximately RM39,000), USD1,347 and USD668 respectively. The transaction was completed on 14 September 2017.

Following completion of the above transfers, Lubra further injected USD1,310,000 to FCV (VN), the registered charter capital of FCV (VN) was then increased from USD2,600,000 to USD3,910,000 on the same date.

FCV (VN) ceased to be a subsidiary of the Company and became an associate, in which the Group holds a 45.06% equity interest. See also Note 18.

The book carrying value of the net liabilities of FCV (VN) at the date of disposal were as follows:

	2017 RM'000
Net liabilities disposed of:	
Property, plant and equipment	3,651
Inventories	3,253
Trade and other receivables	1,165
Time deposits maturing over 3 months	27
Cash and bank balances	4,707
Trade and other payables	(9,073)
Amounts due to the Group	(4,845)
	(1,115)
Exchange reserve released on disposal	(305)
Fair value of the remaining 45.06% equity interest	(5,566)
Non-controlling interests	201
Gain on disposal of a subsidiary (Note)	6,824
Total consideration	39
Satisfied by:	
Cash	39

The analysis of the net cash flow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2017 RM'000
Cash received	39
Cash and cash equivalents disposed of	(4,707)
Net cash outflow on disposal	(4,668)

Note: Included in the gain on disposal of FCV (VN), there is a gain of USD1,310,000 (equivalent to RM5,519,000) that is attributable to remeasuring remaining 45.06% equity interest in FCV (VN) to fair value which is based on the aggregate consideration paid by Lubra of USD11,000 (approximately RM47,000) and its cash contribution of USD1,310,000 (approximately RM5,519,000) to the registered capital of FCV (VN).

34. RELATED PARTY TRANSACTIONS

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

			Amount	
Name of related party	**Relationship**	**Nature of transactions**	**2017 RM'000**	2016 RM'000
Trunet (Vietnam) Co., Ltd.	Joint venture	Sales of goods	**1,216**	–
		Sales of services	**72**	–
		Purchase of materials	**(131)**	–
		Commission received/ receivable	**81**	65
		Rental income	**107**	–
		Dividend received	**440**	319
FCV (VN)	Associate	Interest income	**36**	–
		Commission income	**50**	–
		Business development fee	**104**	–
		Sales of goods	**40**	–
		Purchase of materials	**(9)**	–
Premier De Muara Sdn. Bhd.	Fellow subsidiary	Interest income	**211**	423
PRG Holdings	Ultimate holding company	Interest expenses	**(63)**	(128)

The related party transactions described above were carried out based on negotiated terms and conditions agreed with related parties. None of these related party transactions constituted connected transaction and/or continuing connected transaction (as the case may be) as defined under Chapter 20 of the GEM Listing Rules. It is also noted that the related party transactions with the fellow subsidiary and ultimate holding company of the Company took place before the Listing of the Company's shares on GEM, and hence do not constitute connected transaction and/or continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

(b) Compensation of key management

Remuneration of key management personnel, who are executive directors of the Company, during the year were disclosed in Note 11.

35. CONTINGENT LIABILITIES

As at 31 December 2017 and 2016, the Group did not have any significant contingent liabilities.

36. CAPITAL COMMITMENTS

	2017 RM'000	2016 RM'000
Commitments for the acquisition of property, plant and equipment: contracted for but not provided	**–**	742

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities:

	2017 RM'000	2016 RM'000
Financial assets		
Loans and receivables		
Loan to a fellow subsidiary	–	7,489
Trade and other receivables	17,670	20,792
Amount due from a joint venture	78	47
Amount due from an associate	4,853	–
Amounts due from fellow subsidiaries	–	7,819
Amount due from the ultimate holding company	–	2,902
Time deposits maturing over three months	1,817	127
Cash and bank balances	36,376	15,424
	60,794	54,600

	2017 RM'000	2016 RM'000
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade and other payables	13,787	21,924
Amounts due to fellow subsidiaries	–	994
Amount due to the ultimate holding company	–	8,216
Obligations under finance leases	610	866
Bank borrowings	10,564	11,631
	24,961	43,631

Loan to a fellow subsidiary as at 31 December 2016, 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 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 2017 and 2016 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 2017 and 2016.

38. 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 USD and Euro.

The Group hold 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 2017 and 2016 are as follows:

	USD RM'000	**Euro RM'000**
31 December 2017		
Trade and other receivables	**14,795**	**110**
Cash and bank balances	**6,544**	**178**
Trade and other payables	**(2,185)**	**(97)**
Bank borrowings	**(478)**	**–**
Overall net exposure	**18,676**	**191**

	USD RM'000	Euro RM'000
31 December 2016		
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	16,215	441

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Foreign currency risk *(Continued)*

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:

	2017	2016
	RM'000	RM'000
USD appreciated by 10%	**1,868**	1,622
Euro appreciated by 10%	**19**	44

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 entities; 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.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Interest rate risk *(Continued)*

	2017 Effective interest rate (%)	**2017** RM'000	2016 Effective interest rate (%)	2016 RM'000
Fixed rate				
Obligations under finance leases	**2.18 – 2.69**	**610**	2.18 – 2.69	866
Less: Deposits placed with financial institutions	**1.0 – 6.30**	**(2,102)**	0.70 – 5.50	(2,566)
		(1,492)		(1,700)
Floating rate				
Overdraft	**8.79**	**–**	8.45	660
Bills payable	**2.96 – 7.20**	**4,105**	2.50 – 6.80	10,141
Term loans	**3.50 – 5.22**	**10,564**	3.25 – 5.35	10,971
		14,669		21,772
Total net borrowings		**13,177**		20,072
Net fixed rate borrowings as a percentage of total net borrowings		**N/A**		N/A

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 with all other variables held constant:

	2017 RM'000	2016 RM'000
Increase by 0.5%	**(58)**	(90)
Decrease by 0.5%	**58**	90

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the 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 2017 and 2016.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(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 amount RM'000	Total contractual undiscounted cash flow RM'000	Within 1 year or repayable on demand RM'000	More than 1 year but less than 2 years RM'000	More than 2 years but less than 5 years RM'000	More than 5 years RM'000
31 December 2017						
Trade and other payables	**13,787**	**13,787**	**13,787**	**–**	**–**	**–**
Obligations under finance leases	**610**	**644**	**292**	**256**	**96**	**–**
Bank borrowings	**10,564**	**17,193**	**1,155**	**762**	**2,286**	**12,990**
	24,961	**31,624**	**15,234**	**1,018**	**2,382**	**12,990**

	Carrying amount RM'000	Total contractual undiscounted cash flow RM'000	Within 1 year or repayable on demand RM'000	More than 1 year but less than 2 years RM'000	More than 2 years but less than 5 years RM'000	More than 5 years RM'000
31 December 2016						
Trade and other payables	21,924	21,924	21,924	–	–	–
Amounts due to fellow subsidiaries	994	994	994	–	–	–
Amount due to the ultimate holding company	8,216	8,216	8,216	–	–	–
Obligations under finance leases	866	936	292	292	352	–
Bank borrowings	11,631	18,482	1,977	762	2,286	13,457
	43,631	50,552	33,403	1,054	2,638	13,457

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(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 consolidated statements of financial position.

At the end of each reporting period, the Group has a certain concentration of credit risk as 16% (2016: 13%) and 47% (2016: 51%) of the Group's total trade receivables was due from the Group's top trade receivable and the top five trade receivables respectively.

39. 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 year ended 31 December 2017.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2017.

The Group monitors capital using a gearing ratio, which is total debt (bank borrowings and obligations under finance leases) divided by total equity. A detailed calculation of the gearing ratio is shown below:

	2017 **RM'000**	2016 RM'000
Total debt	**11,174**	12,497
Total equity	**97,606**	75,994
Gearing ratio	**11.4%**	16.4%

40. SUPPLEMENTARY NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 December 2017, capital contribution by PRG Holdings to FVSC (VN) as reflected in the consolidated statement of changes in equity was off-set by the final dividend declared by FVSC (VN) to PRG Holdings of RM13,131,000 as set out in Note 29.

(b) Loan to a fellow subsidiary and amounts due to/from fellow subsidiaries were assigned to ultimate holding company and net-off with the net balance due to ultimate holding company by way of various novation agreements entered into between the relevant parties in August and September 2017.

(c) During the year ended 31 December 2016, capital contribution by PRG Holdings to FVSC (VN) as reflected in the consolidated 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 29.

RECONCILIATION

Reconciliation of liabilities arising from financing activities

	Amounts due to fellow subsidiaries RM'000	Amount due to the ultimate holding company RM'000	Obligations under finance leases RM'000	Bank borrowings (excluding bank overdraft) RM'000	Total RM'000
As at 1 January 2017	994	8,216	866	10,971	21,047
Changes for cash flows:					
Proceeds from new bank loans	–	–	–	484	484
Repayment of bank loans	–	–	–	(843)	(843)
Repayment of obligations under finance leases	–	–	(256)	–	(256)
Interest paid on bank borrowings	–	–	–	(1,036)	(1,036)
Interest paid on amount due to the ultimate holding company	–	(63)	–	–	(63)
Interest paid on obligations under finance leases	–	–	(36)	–	(36)
Increase in amount due to the ultimate holding company	–	5,043	–	–	5,043
Total changes from financing cash flows:	–	4,980	(292)	(1,395)	3,293
Exchange adjustments:	(41)	494	–	(48)	405
Other changes:					
Interest expenses	–	63	–	1,036	1,099
Finance charges on obligations under finance leases	–	–	36	–	36
Dividend declared to ultimate holding company	–	5,000	–	–	5,000
Settlement of balances by way of novation agreements *(Note 40(b))*	(953)	(18,753)	–	–	(19,706)
Total other changes:	(953)	(13,690)	36	1,036	(13,571)
As at 31 December 2017	–	–	610	10,564	11,174

40. SUPPLEMENTARY NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

RECONCILIATION *(Continued)*

Reconciliation of liabilities arising from financing activities

	Amounts due to fellow subsidiaries RM'000	Amount due to the ultimate holding company RM'000	Obligations under finance leases RM'000	Bank borrowings (excluding bank overdraft) RM'000	Total RM'000
As at 1 January 2016	953	9,730	441	10,763	21,887
Changes for cash flows:					
Proceeds from new bank loans	–	–	–	941	941
Repayment of bank loans	–	–	–	(761)	(761)
Repayment of obligations under finance leases	–	–	(153)	–	(153)
Interest paid on bank borrowings	–	–	–	(981)	(981)
Interest paid on amount due to the ultimate holding company	–	(128)	–	–	(128)
Interest paid on obligations under finance leases	–	–	(30)	–	(30)
Increase in amounts due to fellow subsidiaries	41	–	–	–	41
Decrease in amount due to the ultimate holding company	–	(1,642)	–	–	(1,642)
Total changes from financing cash flows:	41	(1,770)	(183)	(801)	(2,713)
Exchange adjustments:	–	128	–	28	156
Other changes:					
Interest expenses	–	128	–	981	1,109
Acquisition of assets under finance leases	–	–	578	–	578
Finance charges on obligations under finance leases	–	–	30	–	30
Total other changes:	–	128	608	981	1,717
As at 31 December 2016	994	8,216	866	10,971	21,047

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the directors on 15 March 2018.

Financial Summary

A summary of the results, and of the assets and liabilities of the Group for the last three financial years, as extracted from the published consolidated financial statements or the Prospectus of the Company is set out below.

RESULTS

	For the year ended 31 December		
	2015	2016	**2017**
	RM'000	RM'000	**RM'000**
Revenue	89,034	97,937	**109,745**
Profit before income tax expense	6,886	7,994	**10,476**
Income tax expense	(1,510)	(1,326)	**(1,902)**
Profit for the year	5,376	6,668	**8,574**
Profit attributable to:			
Owners of the Company	5,636	6,826	**8,804**
Non-controlling interests	(260)	(158)	**(230)**
	5,376	6,668	**8,574**

ASSETS AND LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December		
	2015	2016	**2017**
	RM'000	RM'000	**RM'000**
Total assets	112,809	121,309	**123,920**
Total liabilities	(41,526)	(45,292)	**(26,314)**
Total equity	71,283	76,017	**97,606**
Equity attributable to owners of the Company	71,099	75,994	**97,606**
Non-controlling interests	184	23	**–**
Total equity	71,283	76,017	**97,606**