FURNIWEB HOLDINGS LIMITED
飛霓控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8480

2018
ANNUAL REPORT

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Corporate Information

BOARD OF DIRECTORS

Chairman and Non-Executive Director
Dato' Lim Heen Peok

Non-Executive Director
Mr. Yang Guang

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' Sri Dr. Hou Kok Chung

BOARD COMMITTEES

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

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

Nomination Committee
Dato' Sri 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
Maybank Singapore Limited

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Cayman Islands

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Selangor
Malaysia

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North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Trust Company (Cayman) Limited
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
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Hong Kong

AUDITOR
BDO Limited
Certified Public Accountants
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Hong Kong

COMPANY SECRETARY
Mr. Kwok Siu Man
(Fellow of The Hong Kong Institute of Chartered Secretaries)
Mr. Au Yeung Yiu Chung (appointed on 11 March 2019)
(Associate member of The Hong Kong Institute of Chartered Secretaries)

COMPLIANCE ADVISER
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LEGAL ADVISER
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COMPANY WEBSITE
www.furniweb.com.my

GEM STOCK CODE
8480

Chairman's Statement

Dear Valued Shareholders,

On behalf of the Board of Directors (the "**Board**") of Furniweb Holdings Limited, I am pleased to present the annual report of the Company for the financial year ended 31 December 2018 ("**Financial Year**").

PERFORMANCE REVIEW

For the Financial Year, the revenue of the Company reached RM92.6 million, a decrease of 15.6% compared to the previous year. Correspondingly the profit chalked up was RM0.9 million. Our Company was adversely affected by the trade war between the United States and China and elsewhere. As our products are export centric, many of our global customers caught in the trade conflict were extremely cautious in their orders. At the same time increases in material cost also had an impact on our margins. There was also a need for start up expenses for the Philipp Plein business venture. However, despite the challenges we were able to turn in positive results.

CORPORATE DEVELOPMENTS

During the Financial Year, the Company entered into a business collaboration with Philipp Plein International, an up and coming global brand in luxury fashion that is attracting a growing enthusiasts for it's apparels. This venture grants us distribution and retail rights in Singapore, Thailand and Malaysia; markets that has latent demand for this youthful brand. Our first flagship store is scheduled to be launched in Singapore at the Marina Bay Sands, in the second quarter of 2019.

As part of our strategy to strengthen our manufacturing business, we entered into an agreement to acquire in whole, a company called Meinaide Holdings Group Limited ("**Meinaide**"). This company has the technology, engineering know how and production facilities to manufacture polyvinyl foam boards and other specialized items that caters not only to the China market but is also exported. We are now doing the necessary due diligence prior to the completion of the acquisition.

OUTLOOK

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

The Company taking cognizance of the difficult environment will continue to rationalize its manufacturing operations to adapt to the changing markets. We believe that our collaboration with Philipp Plein and our proposed acquisition of Meinaide will help us in the long term to bring positive returns to the Company.

APPRECIATION

We wish to express our appreciation to our shareholders, customers and business associates for your support given to us in the past years and we look forward to your continued trust in us.

We also wish to record our appreciation to the management and staff of the Company who have worked very hard to turn in a positive year despite the extremely difficult environment.

Thank you.

Dato' Lim Heen Peok
Chairman

Management Discussion and Analysis

BUSINESS REVIEW

(a) Manufacturing Division

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

(i) Elastic textile

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

(ii) Webbing

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

(iii) Other products

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

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

(b) Retail Division

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

FINANCIAL REVIEW

Revenue

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

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

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

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

Other income, net

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

Distribution Costs

For the Financial Year, the distribution costs of the Group amounted to RM2.7 million (2017: RM3.0 million), representing a decrease of RM0.3 million or 10.0% as compared to 2017. The decrease was mainly due to lower commission expense, transportation expenses and customs declaration charges during the Financial Year, which was in line with the decrease in revenue.

Administrative Expenses

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

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

Management Discussion and Analysis

Profit for the Financial Year

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

As at 31 December 2018, the Group's total equity attributable to owners of the Company amounted to RM98.7 million (2017: RM97.6 million).

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

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

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

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

CAPITAL STRUCTURE

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

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

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group does not have any material acquisition and disposal of subsidiaries, associate and joint ventures during the Financial Year.

PLEDGE OF ASSETS

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

FUTURE PLAN FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed in the sections headed "**COMPARISON OF BUSINESS OBJECTIVES AND STRATEGIES WITH ACTUAL BUSINESS PROGRESS**", "**USE OF PROCEEDS**" and "**SUBSEQUENT EVENT**" in this report, the Group does not have other plans for material investments and capital assets for the year ending 31 December 2019 as at the date of this report.

CONTINGENT LIABILITY

Please refer to Note 41 to the consolidated financial statements for details of contingent liability.

CAPITAL COMMITMENTS

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

EMPLOYEES AND REMUNERATION POLICY

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

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

SHARE OPTION SCHEME

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

FOREIGN CURRENCY RISK

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

SUBSEQUENT EVENT

On 12 March 2019, a sale and purchase agreement ("**S&P Agreement**") was entered into among the Company, Triumph Star Global Limited (the "**Vendor**") and Ms. Jim Ka Man, the guarantor. Pursuant to the S&P Agreement, the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire issued share capital of Meinaide Holdings Group Limited for the consideration of HK$140,000,000, which shall be satisfied by the Company by way of allotment and issue of 56,000,000 shares of the Company at the issue price of HK$2.50 per share to the Vendor or its nominee credited as fully paid upon completion in accordance with the terms and conditions of the S&P Agreement. Further details in relation to the acquisition were disclosed in the announcement dated 12 March 2019.

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

Management Discussion and Analysis

COMPARISON OF BUSINESS OBJECTIVES AND STRATEGIES WITH ACTUAL BUSINESS PROGRESS

The principal business objective of the Group is to enhance our market share in the elastic textile and webbing industry and continue to strengthen our competitive strengths. An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the date of the Listing to 31 December 2018 is set out below:

Business strategies	Implementation plans	Sources of funding	Actual business progress up to 31 December 2018
(i) Expand our production capacity	Expand the production capacity for narrow elastic fabrics, covered elastic yarn and seat belt webbing to cater for the growing demand for these products by constructing a new factory in Vietnam and acquiring new machines.	Listing proceeds of approximately RM17.6 million (equivalent to HK$32.4 million)	— Acquired machineries for narrow elastic fabric, covered elastic yarn and seat belt webbing of RM3.9 million. Further, the Group has also upgraded certain machines for rubber tape, fire protection and lighting system of RM0.4 million. — Due to uncertainty of the market condition and stiff competition in Vietnam, the performance of narrow elastic fabric in the Vietnam market was below expectation. The construction of a new factory for narrow elastic fabric of RM8.4 million was temporarily put on hold after considering the risk and return of the expansion. The management would resume the construction of the new factory once the market condition and orders of the said products become more certain. Acquisition schedule of certain machines such as weaving, cutting and covering machines was also delayed to later quarters. — The management constantly monitors the economy conditions and market performance by evaluating the customers' orders trend, market demand and industry outlook. The production capacity will be expanded in more cautious manner by reassessing the performance of every products.

Business strategies	Implementation plans	Sources of funding	Actual business progress up to 31 December 2018
(ii) Move into new product applications and markets	Explore the business potential of our existing products by expanding the application of narrow elastic fabric to sportswear and tapping into the South Korean market for our seat belt webbing.	Our internal resources of the Group	— Carrying on-going discussion and developing narrow elastic fabric samples for prospective customers that manufacture sportswear. A small quantity of orders was received from some local customers. The management is still working with other potential brands of manufacturers. — Undergoing qualification and testing for seat belt webbing samples for a South Korean safety belt manufacturer and other prospective customers. The customer's priority now is for us to focus on supplying new approved specification to India to replace part of their imports from South Korea. We expect increase in orders from India in the second quarter of 2019.
(iii) Enhance our quality control systems	Enhance our quality control system by increasing headcount and improving the training program for our quality control department.	Our internal resources of the Group	— Hired additional production staff to improve the quality control system and processes. The improvement process and internal training are on-going.
(iv) Upgrade our information technology systems	Upgrade enterprise resource planning ("**ERP**") system	Listing proceeds of approximately RM1.1 million (equivalent to HK$2.0 million)	— Acquired a Manufacturing Execution System ("**MES**") software to improve the operation and control over our production system. The management is evaluating the performance of the MES software and may extend its application to other operations of the Group. The management is considering the proposals to upgrade the accounting systems and their effective integration with MES software. — The management considers the foregoing action plans as a substitute to the single ERP system is more efficient and cost effective.

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

USE OF PROCEEDS

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

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

	Planned use of net proceeds from the Listing as stated in the Prospectus RM'million	Actual use of proceeds from the date of Listing to 31 December 2018 (Note (a)) RM'million	Unutilised amount as at 31 December 2018 (Note (b)) RM'million
Expand our production capacity	17.6	4.3	13.3
Upgrade our information technology systems	1.1	0.1	1.0
Funding of our working capital and general corporate purposes	0.6	0.6	–
	19.3	5.0	14.3

Notes:

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

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

FUTURE PROSPECTS AND OUTLOOK

The on-going trade spat between United States with China and other countries as well as Brexit have raised uncertainty in the market which resulted in a lower global growth projection. The Group anticipates that the prospect of manufacturing business in the near future to remain challenging as customers remain cautious on purchases pending clearer settlements of the trade disputes.

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

In view of the rapid change of global economy, the Group is constantly reviewing its cost structure and will execute its business strategies, in particular the expansion of production capacity, based on the market conditions. The Group will also enhance the capability of the product modification department to broaden products application as well as to strengthen its market position by exploring new export markets, securing existing clientele and acquiring new customers. The Group will strive to enhance its market position and will actively consider new opportunities for growth.

Directors and Senior Management

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Dato' Lim Heen Peok ("Dato' Lim"), aged 70, 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	:	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 Automative (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

NON-EXECUTIVE DIRECTOR

Mr. Yang Guan ("Mr. Yang"), aged 34, non-executive Director.

The biography of Mr. Yang is summarised as follows:

Date of joining the Group	:	23 November 2018
Roles and responsibilities within the Group	:	Advising the management on the long term strategic planning of the Group
Position held in other members of the Group	:	None
Directorship in public companies	:	None
Experience	:	Vice president of Shi Ye Energy Company Limited since year 2008
	:	Being involved in formulating business development plans and business strategies and overseeing daily operational management in Shi Ye Energy Company Limited
Other qualifications and major appointments	:	Obtained Bachelor of Computer Application from the Beijing Foreign Affairs University of Economy in 2008

Directors and Senior Management

CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR

Mr. Cheah Eng Chuan ("Mr. Cheah"), aged 72, 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
Position 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 47, 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 and PP Retail Pte. Ltd. ("**PPRPL**").
	:	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 California State University, Fresno in the United States in May 1993

Directors and Senior Management

EXECUTIVE DIRECTOR

Dato' Lua Choon Hann ("Dato' Lua"), aged 42, 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), PPRPL and Premier Management International Limited
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 (October 2017 — September 2018

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Ming Hon ("Mr. Ho"), aged 43, 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 Group 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' Sri Dr. Hou Kok Chung ("Dato' Sri Dr. Hou"), aged 56, independent non-executive Director.

The biography of Dato' Sri 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
	:	Vice-president of the Malaysian Chinese Association (December 2013 — December 2018)
	:	Chairman of the Institute of Strategic Analysis & Policy Research (February 2014 — December 2018)
	:	Chairman of Melaka Port Authority in Malaysia (April 2017 — June 2018)
	:	Member of the Senate in the Parliament of Malaysia (June 2014 — April 2018)
	:	Currently, Dato' Sri Dr. Hou assumes offices in, among others, the following institutions/organisations:
	:	Council member of Tunku Abdul Rahman University (March 2008 — Present)
	:	Member of Board of Governors of Tunku Abdul Rahman University College (March 2008 — Present)
	:	Guest professor at Xiamen University China (November 2014 — Present)

Directors and Senior Management

Dato' Sri Wee Jeck Seng ("Dato' Sri Wee"), aged 54, independent non-executive Director.

The biography of Dato' Sri 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
Other qualifications and major appointments	:	Obtained Bachelor 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
	:	Chairman of Malaysia Timber Council (January 2015 to December 2016)
	:	Member of Parliament of Malaysia for Tanjung Piai (May 2013 to April 2018)
	:	Chairman of Labuan Port Authority by the Ministry of Transport Malaysia (January 2017 to June 2018)

SENIOR MANAGEMENT

Mr. Lee Sim Hak ("Mr. Lee"), aged 65, production director.

The biography of Mr. Lee is summarised as follows:

Date of joining the Group	:	October 1987
Roles and responsibilities	:	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) and 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

Directors and Senior Management

Mr. Ong Lock Hoo ("Mr. Ong"), aged 67, 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) and 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 39, 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.

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 33 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 Group as at 31 December 2018 are set forth in the consolidated financial statements on pages 61 to 62 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 four financial years, as extracted from the published consolidated financial statements or the Prospectus of the Company is set out on page 136 of this report. The summary does not form part of the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Financial Year, are set out in Note 28 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.

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 for the Financial Year.

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 64 and page 119 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 2018, the Company's reserves available for distribution amounted to RM62.7 million (2017: RM61.9 million).

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 2018, 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 26.3% of the Group's total cost of sales and the largest supplier accounted for about 8.1% of the total cost of sales.

During the Financial Year, the five largest customers of the Group accounted for about 37.7% of the Group's total revenue and the largest customer accounted for about 11.6% 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 50 to 56 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 on-going trade spat between United States with China and other countries as well as Brexit have raised uncertainty in the market which resulted in a lower global growth projection. It is also expected that the global financial market will remain volatile for the coming 2019. 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 occurs, 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.

DIRECTORS

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

Chairman and Non-Executive Director

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

Non-Executive Director

Mr. Yang Guang	(appointed on 23 November 2018)

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' Sri 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, Mr. Tan Chuan Dyi, Mr. Ho Ming Hon, and Dato' Sri Wee Jeck Seng will each retire and all being eligible, offer himself for re-election at AGM.

By virtue of article 109 of Articles of Association, Mr. Yang Guang being appointed on 23 November 2018 as an additional Director to the Board by the Directors of the Company shall only hold office until the forthcoming AGM of the Company. Mr. Yang Guang, being eligible, will offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years, 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, 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 2018, 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 Financial Year.

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 2018, 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	15,527,716 shares of RM0.25 each (L)	5.00%
Mr. Tan Chuan Dyi	PRG Holdings (Note 2)	Beneficial owner	62,000 shares of RM0.25 each (L)	0.02%
Dato' Lua Choon Hann	PRG Holdings (Note 2)	Beneficial owner	56,547,500 shares of RM0.25 each (L)	18.20%

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 & 3)	Approximate percentage of shareholding
Dato' Lim Heen Peok	PRG Holdings (Note 2)	Beneficial owner	40,800 shares of RM0.25 each (L)	0.01%
Dato' Lua Choon Hann	PRG Holdings (Note 2)	Beneficial owner	21,668,300 shares of RM0.25 each (L)	6.97%
Mr. Cheah Eng Chuan	PRG Holdings (Note 2)	Beneficial owner	5,175,518 shares of RM0.25 each (L)	1.67%
Dato' Sri Dr. Hou Kok Chung	PRG Holdings (Note 2)	Beneficial owner	315,000 shares of RM0.25 each (L)	0.10%

Notes:

1. The letter "**L**" denotes the long position of the 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 2018, 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 2018, 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	317,520,000 Shares (L)	63.0%

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 issued shares are listed on the Main Market of Bursa Malaysia Securities Berhad. 257,000,000 shares were pledged as a collateral for a term loan in PRG Holdings.

3. Dato' Lua Choon Hann, an 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**", no 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 during the Financial Year.

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 2018, 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 and the CG Code. The primary duties of the Audit Committee are to assist the Board in providing an oversight of the financial reporting and disclosure processes, internal control and risk management systems of our Company, and to oversee the audit process.

Report of the Directors

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

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 35 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 35 to the consolidated financial statements for further details. There were no connected transactions of the Group for the Financial Year.

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

On 12 March 2019, a sale and purchase agreement ("**S&P Agreement**") was entered into among the Company, Triumph Star Global Limited (the "**Vendor**") and Ms. Jim Ka Man, the guarantor. Pursuant to the S&P Agreement, the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire issued share capital of Meinaide Holdings Group Limited for the consideration of HK$140,000,000, which shall be satisfied by the Company by way of allotment and issue of 56,000,000 shares of the Company at the issue price of HK$2.50 per share to the Vendor or its nominee credited as fully paid upon completion in accordance with the terms and conditions of the S&P Agreement. Further details in relation to the acquisition were disclosed in the announcement dated 12 March 2019.

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

ANNUAL GENERAL MEETING

It is proposed that the forthcoming AGM will be held on Wednesday, 19 June 2019. 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, 14 June 2019 to Wednesday, 19 June 2019, both days inclusive, during which period no transfer of Shares in the Company will be effected. In order to be eligible to attend and vote at the 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, 13 June 2019.

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

Malaysia, 20 March 2019

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 for the Financial Year.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

Board Composition

As at 31 December 2018 and as at the date of this report, the Board comprised of two non-executive Directors, three executive Directors, and three independent non-executive Directors. The composition of the Board is as follows:

Non-Executive Directors

Dato' Lim Heen Peok *(Chairman)*
Mr. Yang Guang

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' Sri 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 Directors do not involve in 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 Directors 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 development of 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 Peok, 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 requirements 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 Directors and the independent non-executive Directors signed a letter of appointment with the Company for an initial term of two years, provided that either the Company or the non-executive Directors and the independent non-executive Directors may terminate such appointment at any time by giving at least two months' notice in writing to the other.

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 notices 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, four Board meetings were held and an AGM of the Company was held on 9 May 2018 (the "**2018 AGM**"). The attendance of each Director at the Board meetings and 2018 AGM is set out as follows:

Name of Director	Number of attendance/Number of Meetings Board Meeting	 2018 AGM
Dato' Lim Heen Peok	4/4	1/1
Mr. Yang Guang (Note)	N/A(Note)	N/A(Note)
Mr. Cheah Eng Chuan *(Chief Executive Officer)*	4/4	1/1
Mr. Tan Chuan Dyi *(Chief Operating Officer)*	4/4	1/1
Dato' Lua Choon Hann	3/4	1/1
Mr. Ho Ming Hon	4/4	1/1
Dato' Sri Dr. Hou Kok Chung	4/4	1/1
Dato' Sri Wee Jeck Seng	4/4	1/1

Note: Mr. Yang Guang was appointed on 23 November 2018, and no board meeting was held since then.

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 are, Dato' Lim Heen Peok, Mr. Yang Guang, Mr. Cheah Eng Chuan, Mr. Tan Chuan Dyi, Dato' Lua Choon Hann, Mr. Ho Ming Hon, Dato' Sri Dr. Hou Kok Chung and 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 Board has adopted a revised terms of reference of the audit committee effective on 20 March 2019. The primary duties of the Audit Committee are to assist 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' Sri 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, annual results and the annual reports and the effectiveness of the Group's internal control and risk management systems. The audit committee has also reviewed the audit planning for the year ended 31 December 2018 and recommended to the Board for consideration for the same and the re-appointment of BDO Limited as the Company's external independent auditors at the forthcoming AGM.

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

Name of Director	Number of attendance/ Number of meetings
Mr. Ho Ming Hon	4/4
Dato' Sri Dr. Hou Kok Chung	4/4
Dato' Sri Wee Jeck Seng	4/4

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 Board has adopted a revised terms of reference of the nomination committee effective on 20 March 2019. 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, Dato' Sri Dr. Hou Kok Chung, Mr. Ho Ming Hon and Dato' Sri Wee Jeck Seng, and one executive Director, namely, Mr. Cheah Eng Chuan. Dato' Sri Dr. Hou Kok Chung is the chairman of the nomination committee.

The members of the nomination committee should meet at least once a year. During the Financial Year, two nomination committee meetings were held and attendance of each Director at the nomination committee meeting is set out as follows:

Name of Director	Number of attendance/ Number of meetings
Dato' Sri Dr. Hou Kok Chung	2/2
Mr. Ho Ming Hon	2/2
Dato' Sri Wee Jeck Seng	2/2
Mr. Cheah Eng Chuan	2/2

The Board adopted a board diversity policy effective on 13 October 2017. The Company recognises and embraces the benefits of a diverse Board to enhance the quality of its performance. The board diversity policy states that the selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

On 20 March 2019, the Board also adopted the nomination policy. The Nomination Committee shall endeavor to select individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of the Group and the shareholders. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives. Candidates also will be assessed in the context of the then-current composition of the Board, the operating requirements of the Group. In conducting this assessment, the nomination committee will, in connection with its assessment and recommendation of candidates for director, consider diversity (including, but not limited to, gender, race, ethnicity, age, experience and skills) and such other factors as it deems appropriate given the current and anticipated future needs of the Board and the Company, and to maintain a balance of perspectives, qualifications, qualities and skills on the Board.

The nomination procedures and the process and criteria adopted by the nomination committee to select and recommend candidates for directorship are contained in the nomination policy, which is reproduced as follows:

SELECTION OF CANDIDATE

I. Selection Process

The nomination committee shall:

a. proactively exchange views with Board members to study the needs of the Company for new Directors;

b. request nominations from the Board, as well as to seek suggestions for possible nominees from other sources actively. The nomination committee may consider using executive search firms to assist with finding candidates with the required skills and background;

c. make recommendation(s) to the Board in writing, describing the experience, expertise and background of the proposed nominee(s), and how he or she will complement the skills and backgrounds represented by the continuing members of the Board;

d. ensure ample time is given to the Board to consider the nomination committee's recommendations in light of the importance of the decision; and

e. instruct management to conduct an orientation programme for new Board member(s), and periodically review the programme for quality and scope in order to assist new Board member(s) to understand the Company's organisation and businesses as well as to be able to discharge his or her duties effectively as soon as possible.

II. Selection Criteria

The nomination committee will evaluate all recommended candidate(s) based on the following criteria:

For Director

a. The candidate must possess high standards of ethics, integrity and professionalism, display independent and sound judgment and have meaningful experience and expertise in business, corporate, accountancy, law, finance or other relevant endeavors;

b. The qualifications of a candidate will be considered by the nomination committee in addition to other factors it deems appropriate based on the current needs and requirements of the Board, including specific desired business and financial expertise, experience as a director of public listed company, age, gender and ethnic diversity; and

c. The candidate must possess the necessary technical skills and knowledge relating to particular business areas or the general industry of the Company.

For Independent non-executive Director

a. In addition to the criteria set forth above, the nominee for an independent non-executive director's vacancy must fulfil the independence guidelines under the GEM Listing Rules.

These factors are for reference only, and not meant to be exhaustive and decisive. The nomination committee may also consider such other factors as it may see fit which are in the best interest of the Company and its shareholders as a whole.

ASSESSMENT OF CANDIDATE

I. Assessment Process

a. The nomination committee shall gather all relevant information of the candidate such as academic achievements, professional titles, detailed work experience, etc for evaluation. It may seek the help of the company secretary or human resource department of the Company to assist in such information gathering as well as background verification;

b. The nomination committee shall assess the experience, expertise and business relationships represented by the continuing Board members in light of the existing and planned businesses to determine the skills and background of the new Board member(s) in order to complement those of the continuing Board members; and

c. The nomination committee shall interview shortlisted candidate(s) and provide an opportunity for the Chairman or President/Chief Executive Officer to interview the prospective candidate(s), to assess the suitability of the candidate(s), if required.

NOMINATION PROCEDURES

The secretary of the nomination committee shall call a meeting of the nomination committee, and invite nominations of candidates from members of the Board if any, for consideration by the nomination committee prior to its meeting. The nomination committee may also put forward candidates who are not nominated by members of the Board.

For filling a casual vacancy or appointing an additional member to the Board, the nomination committee shall make recommendations for the Board's consideration and approval.

For proposing candidates to stand for election at a general meeting, the nomination committee shall make nominations to the Board for its consideration and recommendation.

A circular will be sent to the shareholders of the Company to provide them with the name, brief biography, proposed remuneration, (where an independent non-executive Director is to be nominated) independency and other information of the proposing candidate in accordance with the requirements of the applicable laws, rules and regulations including those of the GEM Listing Rules.

A shareholder can serve a written notice to the Company for the attention of the Company Secretary of his/her intention to propose a certain person for election as a Director. This written notice, together with (i) the information of the candidate as required to be disclosed under Rule 17.50(2) of the GEM Listing Rules and such other information as may be considered relevant to his/her proposed election; and (ii) the written consent by that person to the publication of his/her personal data provided pursuant to (i) immediately above, by the Company in its corporation communication documents in compliance with the GEM Listing Rules or as may be required by the Stock Exchange at the headquarters and principal place of business in Hong Kong of the Company or at the office of the Company's branch share registrar and transfer office in Hong Kong at least seven (7) clear days before the date of the general meeting and the period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and shall be at least seven (7) clear days in length.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

During the Financial Year, the nomination committee has reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive directors, reviewed the board diversity policy and recommended to the Board for consideration the re-appointment of all the retiring Directors at the AGM. The nomination committee reviewed appraised the proposed appointment of Mr. Yang Guang as a non-executive Director of the Company and was satisfied, upon review and assessment of the suitability of Mr. Yang Guang against the evaluation criteria and considerations such as his experience, industry knowledge, expertise and competency, took cognizance that the appointment would provide diversity in the Board's composition, and had recommended the appointment to the Board for approval.

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 determine the policy for the remuneration of executive Directors, 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 is also responsible for assessing performance of executive Directors and approving the terms of executive Directors' service contracts.

The remuneration committee currently comprises of three independent non-executive Directors, namely, Dato' Sri Wee Jeck Seng, Mr. Ho Ming Hon and Dato' Sri Dr. Hou Kok Chung, 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. During the Financial Year, two remuneration committee meetings were held and attendance of each Director at the remuneration committee meeting is set out as follows:

Name of Director	Number of attendance/ Number of meetings
Dato' Sri Wee Jeck Seng	2/2
Mr. Ho Ming Hon	2/2
Dato' Sri Dr. Hou Kok Chung	2/2
Dato' Lua Choon Hann	1/2

During the Financial Year, the remuneration committee meetings reviewed the policy and structure for the remuneration, remuneration packages and bonuses of the Directors.

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 oversee the management's activities in managing key risks, ensure the risk management process is functioning effectively and review 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.

During the Financial Year, two risk management committee meetings were 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 meetings
Mr. Ho Ming Hon	2/2
Dato' Sri Wee Jeck Seng	2/2
Mr. Tan Chuan Dyi	2/2

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 57 to 60 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	–
HK$1,000,001 to HK$1,500,000	2

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.

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	395

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 in England ("**ICSA**"), the Institute of Public Accountants in Australia, The Institute of Financial Accountants in England, The Hong Kong Institute of Chartered Secretaries (the "**HKICS**"), The Association of Hong Kong Accountants and The Hong Kong Institute of Directors, a Chartered Governance Professional of both the ICSA and the HKICS 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. Kok is an executive director and head, corporate secretarial of Boardroom Corporate Services (HK) Limited and a director of Boardroom Share Registrars (HK) Limited. He is an independent non-executive director of Tak Lee Machinery Holdings Limited (Stock code: 8142), a company listed on GEM of the Stock Exchange and an executive committee member of Federation of Share Registrars Limited. Immediately following the appointment of Mr. Au Yeung (as definded below) as a Joint Company Secretary, Mr. Kok became the other Joint Company Secretary with effect from 11 March 2019.

Mr. Au Yeung Yiu Chung ("**Mr. Au Yeung**") was appointed as joint Company Secretary on 11 March 2019. Mr. Au Yeung is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Au Yeung is an International Certified Valuation Specialist holder and a Certified M&A Dealmaker issued by the China Mergers & Acquisitions Association and the Museum of Mergers and Acquisitions in the People's Republic of China. Mr. Au Yeung is currently a company secretary of Code Agriculture (Holdings) Limited (stock code: 8153), the issued shares of which are listed on GEM. Mr. Au Yeung is also currently an executive director of eForce Holdings Limited (stock code: 943), the issued shares of which are listed on the Main Board of the Stock Exchange.

Mr. Kwok and Mr. Au Yeung have 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 and Mr. Au Yeung have 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.

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 31 December 2018, 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 risk management and 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 for the Financial Year.

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 AGM, 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.

DIVIDEND POLICY

The Board has approved and adopted a dividend policy on 20 March 2019 (the "**Dividend Policy**"). It is the policy of the Board, in considering the payment of dividends, to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

The dividend payout ratio shall be determined or recommended, as appropriate, by the Board at its absolute discretion after taking into account the Company's financial results, future prospects and other factors, and subject to:

(a) the Articles of Association of the Company;

(b) the applicable restrictions and requirements under the laws of the Cayman Islands;

(c) the Company's actual and expected financial performance;

(d) the Group's liquidity position;

(e) retained earnings and distributable reserves of the Company and each of the members of the Group;

(f) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;

(g) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(h) the Group's expected working capital requirements and future expansion plans;

(i) general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

(j) any other factors that the Board deem appropriate.

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 of 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 AGMs, the annual, interim and quarterly reports, notices, announcements and circulars and the Company's website at www.furniweb.com.my.

CONSTITUTIONAL DOCUMENTS

There had been no change in the Company's constitutional documents during the Financial Year.

OVERVIEW OF SUSTAINABILITY APPROACH

This is the 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 33 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

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 2018	Intensity (per tonne production volume) 2018
GHG	Scope 1 (Direct Emission)	tonnes CO_{2e}	**1,233**	**0.29**
	Scope 2 (Energy Indirect Emission)	tonnes CO_{2e}	**4,717**	**1.11**
	Total (Scope 1 & 2)	tonnes CO_{2e}	**5,950**	**1.40**
Hazardous waste	Industrial wastage	tonnes	**41**	**0.01**
Non-hazardous waste	Wastewater	M^3	**96,650**	**22.68**
	Solid wastage	tonnes	**192**	**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 following environmental risk and mitigation measures are identified and addressed including engaged 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 2018	Intensity (per tonne production volume) 2018
Energy	Electricity	kWh'000	**6,670**	**1.56**
Water	Water	M^3	**172,080**	**40.37**
Paper	Office paper	tonnes	**3.6**	**0.001**
Packaging materials	Paper, box carton, plastic	tonnes	**375**	**0.09**

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. Besides of upgrading our facilities with higher energy efficiency, the proper production planning was in place and monthly monitoring on the energy consumption are carried out to manage the use of energy. We also carried out the energy saving equipment enhancement where appropriate to achieve high energy efficiency. At the end of the Financial Year, we have replaced the traditional light bulbs with electricity-savings light bulbs at our office and we are expecting there will be saving in the energy consumption for the following year.

In addition, the Group has encouraged employees to use electricity and efficiently that our lights would switch off during lunch and after normal working hours. Employees are encouraged to turn off idle machines and office equipment when not in use. The temperature of the office will maintain at 24°C to 26°C and employees are encouraged to use natural ventilation instead of air-conditioning whenever the conditions are allowed. The Group would continually review the energy consumption and will seek to further reduce energy consumption and electricity consumption.

Apart from exploring opportunities to further improve energy efficiency, the group has also taken green initiatives into account for our network related operations and production and we work closely with the energy consultant by exploring opportunities to apply energy-efficient solutions at our plants.

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 Group has conducted regular inspection and maintenance on water tap, water pipe and water storage and reduced usage of bottled water in meeting rooms by employees to further improve the utilisation efficiency of water resources.

Paper

The Group makes every effort to reduce the environmental impact of paper use. To achieve a paperless workflow across our operations, we have actively developed a variety of workflow systems that replaced traditional paper forms and physical documents by providing customers with electronic billing and electronic statements via email in 2018. In addition, we encourage employees to use double sided printing and reuse paper on one side to reduce paper use. We notify employees for any announcement or information through emails. With these approaches, we have reduced 10.8% of the paper consumption intensity in 2018 as compared to 2017.

Packaging materials

The Group uses carton box, paper and plastic as packaging material. There was a slightly increased by 3% of packaging material consumption in 2018 as compared to 2017, which was mainly due to the increased in sales volume for certain products that require more packaging materials consumption. However, the Group's use of alternative packaging method or use of recycle packaging materials.

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 activity that has direct or significant impact on the natural resources in the course of our business operation.

In consideration 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 is 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. For instance, 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 competitive remuneration incentives and ample opportunities to develop their career. 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 human resources policies are conducive to building a better working environment, with more development opportunities and attractive employee benefits have contributed to employees' satisfaction levels and retention level. We aim to provide an enriching 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 ("**OSHC**") 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 OSHC 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 firefighting 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.

Labour Standards

The Group has guidelines setting the procedures and standards on recruitment by the management and human resource team. It is to ensure employee 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 in preventing 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 compiled 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 that 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 qualified supplier from time to time and performs tests on samples collected from potential suppliers before engage them as our suppliers.

The Group ensures none of our products would harm the safety and health of our customers. Over the years, we have received a number of awards and certifications in recognition of our business development and quality standards including ISO 9001: 2015, ISO 14001: 2015, IATF 16949:2016, Oeko-Tex® Standard 100 Product Class I & II and ISO 13485: 2016. 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, 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 qualified supplier 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 occurrence of repeated mistakes. 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 be replaced with new batch of products.

The Group had registered four trademarks and four domain names in Malaysia and Vietnam which are material 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 its 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 and 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 and 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 care 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 61 to 135, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement 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 2018, 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.

Revenue recognition

Sale of goods is recognised as revenue when control of the goods has been transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods.

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.

KEY AUDIT MATTERS *(Continued)*

Revenue recognition *(Continued)*

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 IFRS 15 by inspecting samples of sales contracts with customers;
- testing, on a sample basis, of sales transactions recorded during the year by inspection of 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.

Impairment testing on interest in an associate

The carrying amount of the Group's interest in an associate as at 31 December 2018 amounted to RM4,175,000.

As at 31 December 2018, the directors have performed an impairment assessment on the Group's interest in an associate based on a value in use calculation. Estimating a value in use amount involves management judgments and estimates about the future results of the business, key assumptions including sales growth rate and gross profit margin, long-term growth rate and the discount rate applied to the future cash flow projection.

Refer to Note 18 to the consolidated financial statements and the accounting policies in Notes 4.3 and 4.8 to the consolidated financial statements.

Our response:

Our audit team included a valuation expert. Our audit procedures included the following:

- assessing the appropriateness of valuation methodologies used by management;
- checking the reasonableness of input data used in the Group's future cash flow projection of the associate to supporting evidence, such as sales orders, and considering the reasonableness of the projection;
- assessing the reasonableness of management's key assumptions used including sales growth rate and gross profit margin by reference to future plans and by performing independent market analysis;
- checking the appropriateness of the long term growth rate and discount rate applied to the future cash flow projection; and
- considering the potential impact of a reasonably possible downside change in management's key assumptions and input data.

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
20 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 RM'000	2017 RM'000
Revenue	7	**92,565**	109,745
Cost of sales		**(71,573)**	(79,514)
Gross profit		**20,992**	30,231
Other income, net	8	**1,028**	6,432
Distribution costs		**(2,682)**	(3,048)
Administrative expenses		**(16,953)**	(22,355)
Interest income		**651**	368
Finance costs	13	**(649)**	(1,144)
Share of loss of an associate, net of tax	18	**(1,029)**	(290)
Share of profit of a joint venture, net of tax	19	**332**	282
Profit before income tax expense	9	**1,690**	10,476
Income tax expense	14	**(764)**	(1,902)
Profit for the year		**926**	8,574
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**387**	(3,099)
Reclassification adjustments for a foreign subsidiary disposed of during the year		**–**	(104)
Share of other comprehensive income of an associate		**(28)**	(45)
Share of other comprehensive income of a joint venture		**(4)**	(88)
Other comprehensive income for the year, net of tax		**355**	(3,336)
Total comprehensive income for the year		**1,281**	5,238
Profit/(loss) attributable to:			
Owners of the Company		**926**	8,804
Non-controlling interests		**–**	(230)
		926	8,574
Total comprehensive income attributable to:			
Owners of the Company		**1,281**	5,261
Non-controlling interests		**–**	(23)
		1,281	5,238
Earnings per share			
— Basic and diluted (RM)	15	**0.18 cents**	2.18 cents

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2018

	Notes	2018 RM'000	2017 RM'000
Non-current assets			
Property, plant and equipment	*16*	**34,815**	33,478
Intangible assets	*17*	**1,255**	1,275
Interest in an associate	*18*	**4,175**	5,231
Interest in a joint venture	*19*	**1,146**	1,109
Loan to an associate	*21(b)*	**4,712**	–
Deferred tax assets	*22*	**673**	177
		46,776	41,270
Current assets			
Inventories	*23*	**22,120**	21,481
Trade and other receivables	*20*	**19,501**	17,670
Amount due from a joint venture	*21(a)*	**84**	78
Amount due from an associate	*21(b)*	**721**	4,853
Current tax recoverable		**448**	375
Time deposits maturing over three months		**647**	1,817
Cash and bank balances		**31,600**	36,376
		75,121	82,650
Current liabilities			
Trade and other payables	*24*	**11,254**	13,787
Contract liabilities	*25*	**127**	–
Obligations under finance leases	*27*	**–**	270
Bank borrowings	*26*	**1,095**	647
Current tax liabilities		**442**	499
		12,918	15,203
Net current assets		**62,203**	67,447
Total assets less current liabilities		**108,979**	108,717
Non-current liabilities			
Obligations under finance leases	*27*	**–**	340
Bank borrowings	*26*	**9,574**	9,917
Deferred tax liabilities	*22*	**743**	854
		10,317	11,111
NET ASSETS		**98,662**	97,606
Capital and reserves			
Share capital	*28*	**27,285**	27,285
Reserves	*29*	**71,377**	70,321
TOTAL EQUITY		**98,662**	97,606

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 2018

	Notes	Share capital RM'000 (Note 28)	Share premium RM'000 (Note 29(a))	Capital reserve RM'000 (Note 29(b))	Merger reserve RM'000 (Note 29 (c))	Exchange translation reserve RM'000 (Note 29 (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 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	*30*	–	–	–	–	–	(26,593)	(26,593)	–	(26,593)
Issue of ordinary shares for reorganisation	*28(a), (c)*	1,081	–	(43,289)	42,208	–	–	–	–	–
Issue of shares under public offer and placing	*28(d)*	6,822	27,287	–	–	–	–	34,109	–	34,109
Capitalisation issue	*28(e)*	19,382	(19,382)	–	–	–	–	–	–	–
Share issue expenses		–	(4,296)	–	–	–	–	(4,296)	–	(4,296)
Capital contribution by ultimate holding company to a subsidiary	*39*	–	–	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 Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital RM'000 (Note 28)	Share premium RM'000 (Note 29(a))	Capital reserve RM'000 (Note 29(b))	Merger reserve RM'000 (Note 29(c))	Exchange translation reserve RM'000 (Note 29(d))	Retained earnings RM'000	Total RM'000
Balance as at 31 December 2017 as originally presented		**27,285**	**3,609**	**–**	**42,208**	**(3,496)**	**28,000**	**97,606**
Initial application of IFRS 9	*3(a)(i), 38(d)*	–	–	–	–	4	(229)	(225)
Restated balance as at 1 January 2018		**27,285**	**3,609**	**–**	**42,208**	**(3,492)**	**27,771**	**97,381**
Profit for the year		–	–	–	–	–	926	926
Exchange differences on translation of foreign operations		–	–	–	–	387	–	387
Share of other comprehensive income of an associate, net of tax		–	–	–	–	(28)	–	(28)
Share of other comprehensive income of a joint venture, net of tax		–	–	–	–	(4)	–	(4)
Total comprehensive income		–	–	–	–	355	926	1,281
Balance as at 31 December 2018		**27,285**	**3,609**	**–**	**42,208**	**(3,137)**	**28,697**	**98,662**

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 RM'000	2017 RM'000
Cash flows from operating activities			
Profit before income tax expense		**1,690**	10,476
Adjustments for:			
Amortisation of intangible assets	*17*	**20**	22
Depreciation of property, plant and equipment	*16*	**3,003**	3,323
Impairment loss on trade receivables	*38(d)*	**48**	38
Reversal of impairment loss on trade receivables previously recognised	*38(d)*	**(22)**	(10)
Inventories written down	*23*	**429**	191
Reversal of inventories written down	*23*	**(317)**	(111)
Gain on disposal of a subsidiary	*34*	**–**	(6,824)
Interest income		**(651)**	(368)
Finance costs	*13*	**649**	1,144
Net gain on disposal of property, plant and equipment	*8*	**(116)**	(31)
Share of loss of an associate, net of tax	*18*	**1,029**	290
Share of profit of a joint venture, net of tax	*19*	**(332)**	(282)
Net unrealised (gain)/loss on foreign exchange	*8*	**(27)**	513
Cash flows before movements in working capital		**5,403**	8,371
Increase in inventories		**(734)**	(2,152)
(Increase)/decrease in trade and other receivables		**(2,117)**	1,827
Increase in contract liabilities		**61**	–
Increase in amount due from an associate		**(317)**	–
(Decrease)/increase in trade and other payables		**(2,440)**	1,554
Cash (used in)/generated from operations		**(144)**	9,600
Tax refunded		**10**	31
Tax paid		**(1,511)**	(2,480)
Net cash (used in)/generated from operating activities		**(1,645)**	7,151
Cash flows from investing activities			
Purchase of:			
Property, plant and equipment	*16*	**(4,767)**	(2,026)
Intangible assets	*17*	**–**	(22)
Decrease in loan to a fellow subsidiary		**–**	36
Increase in amounts due from fellow subsidiaries		**–**	(173)
Increase in amount due from a joint venture		**(6)**	(34)
Increase in amount due from the ultimate holding company		**–**	(1,175)
Dividend received from a joint venture	*19*	**291**	440
Interest received		**514**	121
Net proceeds from disposal of a subsidiary	*34*	**–**	(4,668)
Proceeds from disposal of property, plant and equipment		**592**	83
Deposits placed with financial institutions with original maturity of more than three months		**1,170**	(1,717)
Net cash used in investing activities		**(2,206)**	(9,135)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 RM'000	2017 RM'000
Net cash used in investing activities		**(2,206)**	(9,135)
Cash flows from financing activities			
Issue of shares under public offer and placing, net of share issue expenses		**–**	29,813
Increase in amount due to the ultimate holding company		**–**	5,043
Dividends paid		**–**	(8,462)
Interest paid		**(649)**	(1,081)
Drawdown of bank borrowings		**–**	484
Repayment of bank borrowings		**(728)**	(843)
Repayment of obligations under finance leases		**(610)**	(256)
Net cash (used in)/generated from financing activities		**(1,987)**	24,698
Net (decrease)/increase in cash and cash equivalents		**(5,838)**	22,714
Cash and cash equivalents at beginning of year		**36,376**	14,764
Effects of exchange rate changes		**220**	(1,102)
Cash and cash equivalents at end of year		**30,758**	36,376
Analysis of the balances of cash and cash equivalents			
Cash and bank balances *(Note)*		**31,600**	36,376
Bank overdraft	*26*	**(842)**	–
		30,758	36,376

Note: Cash and bank balances of RM9,830,000 and RM6,287,000 are held in Vietnam as at 31 December 2018 and 31 December 2017 respectively. Vietnamese Dong ("**VND**") is not generally freely convertible into other currencies. Under certain conditions, such as fulfilment of Vietnam's financial obligations, the Vietnamese government allows foreign invested enterprises to convert VND into other currencies for repatriation of profits from their Vietnam operations abroad.

1. GENERAL INFORMATION AND REORGANISATION

(a) General information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 3 March 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares were listed on the GEM of The Stock Exchange of Hong Kong Limited since 16 October 2017. The address of the Company's registered office and its headquarters are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Lot 1883, Jalan KPB9, Kg. Bharu Balakong, 43300 Seri Kembangan, Selangor, Malaysia respectively.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sale of elastic textile and webbings. The ultimate holding company of the Company is PRG Holdings Berhad ("**PRG Holdings**") which is a public limited liability company incorporated in Malaysia and the shares of which are listed on the Main Market of Bursa Malaysia Securities Berhad.

(b) Reorganisation

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

2. BASIS OF PREPARATION

(a) 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 and the Hong Kong Companies Ordinance.

(b) Basis of measurement

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

(c) 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.

3. ADOPTION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Adoption of new or revised IFRSs — effective 1 January 2018

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

Annual Improvements to IFRSs 2014-2016 Cycle — Amendments to IAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 28, Investments in Associates and Joint Ventures, clarifying that a venture capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

IFRS 9 — Financial Instruments

(i) Classification and measurement of financial instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of IFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

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

	RM'000
Retained earnings	
Retained earnings as at 31 December 2017	28,000
Increase in expected credit losses ("**ECLs**") on trade receivables (Note 38(d) below)	(229)
Restated retained earnings as at 1 January 2018	27,771
Exchange translation reserve	
Exchange translation reserve as at 31 December 2017	(3,496)
Exchange difference resulting from ECLs on trade receivables	4
Restated exchange translation reserve as at 1 January 2018	(3,492)

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

(a) Adoption of new or revised IFRSs — effective 1 January 2018 *(Continued)*

IFRS 9 — Financial Instruments *(Continued)*

(i) Classification and measurement of financial instruments (Continued)

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of IFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under IFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with IFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised cost**"); (ii) financial assets at fair value through other comprehensive income ("**FVTOCI**"); or (iii) FVTPL (as defined in above). The classification of financial assets under IFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under IFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

The following accounting policies would be applied to the Group's financial assets:

Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

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

(a) Adoption of new or revised IFRSs — effective 1 January 2018 *(Continued)*

IFRS 9 — Financial Instruments *(Continued)*

(i) Classification and measurement of financial instruments (Continued)

The following table summarises the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under IAS 39**	**New classification under IFRS 9**	**Carrying amount as at 1 January 2018 under IAS 39**	**Carrying amount as at 1 January 2018 under IFRS 9**
			RM'000	RM'000
Trade and other receivables (excluding prepayments and indirect taxes recoverable)	Loans and receivables	Amortised cost	15,248	15,023
Amount due from a joint venture	Loans and receivables	Amortised cost	78	78
Amount due from an associate	Loans and receivables	Amortised cost	4,853	4,853
Time deposits maturing over three months	Loans and receivables	Amortised cost	1,817	1,817
Cash and bank balances	Loans and receivables	Amortised cost	36,376	36,376

(ii) Impairment of financial assets

The adoption of IFRS 9 has changed the Group's impairment model by replacing the IAS 39 "incurred loss model" to the "ECLs model". IFRS 9 requires the Group to recognise ECLs for trade receivables and financial assets at amortised costs earlier than IAS 39. Time deposits maturing over three months and cash and bank balances are subject to ECLs model but the impairment is immaterial for the current period.

Under IFRS 9, the losses allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

(a) Adoption of new or revised IFRSs — effective 1 January 2018 *(Continued)*

IFRS 9 — Financial Instruments *(Continued)*

(ii) Impairment of financial assets (Continued)

For other financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 1 year past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

(a) Adoption of new or revised IFRSs — effective 1 January 2018 *(Continued)*

IFRS 9 — Financial Instruments *(Continued)*

(ii) Impairment of financial assets (Continued)

Presentation of ECLs (Continued)

(I) Impairment of trade receivables

As mentioned above, the Group applies the IFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 January 2018 was determined for trade receivables as follows:

	Weighted average lifetime ECL rate	**Gross carrying amount**	**Lifetime ECLs**	**Net carrying amount**
		RM'000	RM'000	RM'000
Collective assessment				
Not past due	0.38%	11,537	(44)	11,493
Past due				
1-30 days	1.25%	2,887	(36)	2,851
31-60 days	2.92%	308	(9)	299
61-90 days	13.70%	73	(10)	63
Over 90 days	28.79%	66	(19)	47
		14,871	(118)	14,753
Individual assessment	100%	214	(214)	–
		15,085	(332)	14,753

The increase in loss allowance for trade receivables upon the transition to IFRS 9 as at 1 January 2018 was RM225,000 (Note 38(d)).

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

(a) Adoption of new or revised IFRSs — effective 1 January 2018 *(Continued)*

IFRS 9 — Financial Instruments *(Continued)*

(ii) Impairment of financial assets (Continued)

Presentation of ECLs (Continued)

(II) Impairment of other receivables

Other financial assets at amortised cost of the Group as at 1 January 2018 include other receivables (excluding prepayments and indirect taxes recoverable), amount due from a joint venture, amount due from an associate, time deposits maturing over three months and cash and bank balances. No additional impairment for these financial assets as at 1 January 2018 is recognised as the amount of additional impairment measured under the ECLs model is insignifcant.

(iii) Transition

The Group has applied the transitional provision in IFRS 9 such that IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application of IFRS 9.

IFRS 15 — Revenue from Contracts with Customer ("IFRS 15")

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 has established a five-step model to account for revenue arising from contracts with customers:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

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

(a) Adoption of new or revised IFRSs — effective 1 January 2018 *(Continued)*

IFRS 15 — Revenue from Contracts with Customer ("IFRS 15") *(Continued)*

Under IFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring the control of goods or services to a customer.

The adoption of IFRS 15 does not have a significant 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 in time. The only impact is the recognition of contract liabilities of RM127,000 in the consolidated statement of financial position as at 31 December 2018 as detailed in Note 25.

Amendments IFRS 15 — Revenue from Contracts with Customers (Clarifications to IFRS 15)

The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group first adopted IFRS 15 (including the clarifications) for the accounting year beginning on 1 January 2018.

IFRIC 22 — Foreign Currency Transactions and Advance Consideration

The interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of this interpretation has no material impact on these financial statements as the Group is already accounting for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the interpretation.

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

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

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted

IFRS 16 — Leases

IFRS 16, which upon the effective date will supersede IAS 17 Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RM29,134,000 as disclosed in Note 31. These arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of these leases unless they qualify for short-term leases upon the application of IFRS 16. In the consolidated statement of profit or loss and other comprehensive income, depreciation will be recognised on the related right-of-use asset and interest expenses will be recognised on the lease liability instead of rental expense. Interest expenses on the lease liability will be presented separately from depreciation under finance costs.

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 16 — Leases *(Continued)*

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

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

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 that the adoption of the interpretation will have significant impact on the Group's results and financial position.

Amendments to IAS 1 and IAS 8 — Definition of Material

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The Group does not expect that the adoption of the amendments will have significant impact on the Group's consolidated financial statements.

Amendments to IFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

The Group does not expect that the adoption of the amendments will have significant impact on the Group's results and financial position.

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 IAS 28 — Long-term Interests in Associates and Joint Ventures

The amendments clarify that IFRS 9 applies to long-term interests ("**LTI**") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that IFRS 9 is applied to these LTI before the impairment losses guidance within IAS 28.

The Group does not expect that the adoption of the amendments will have significant impact on the Group's results and financial position.

Annual Improvements to IFRSs 2015-2017 Cycle — Amendments to IFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 3 which clarify that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

The Group does not expect that the adoption of the amendments will have significant impact on the Group's results and financial position.

Annual Improvements to IFRSs 2015-2017 Cycle — Amendments to IFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

The Group does not expect that the adoption of the amendments will have significant impact on the Group's results and financial position.

Annual Improvements to IFRSs 2015-2017 Cycle — Amendments to IAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

The Group does not expect that the adoption of the amendments will have significant impact on the Group's results and financial position.

Annual Improvements to IFRSs 2015-2017 Cycle — Amendments to IAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 23 which clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

The Group does not expect that the adoption of the amendments will have significant impact on the Group's results and financial position.

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

The amendments 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 does not expect that the adoption of the amendments will have 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 IFRSs. 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 represents 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

4.4 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%

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

4.4 Property, plant and equipment *(Continued)*

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.

Leasehold improvement during the year representing renovation in progress of shop for future retail business to be engaged by the Group is stated at cost and is not depreciated until such time when the renovation is completed and available for use in 2019.

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.

4.5 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.

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

4.5 Leases and hire purchase *(Continued)*

(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.

4.6 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 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.

4.8 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.

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

4.8 Impairment of non-financial assets *(Continued)*

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.

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

4.10 Financial instruments

Accounting policies applied from 1 January 2018

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

The Group's financial assets are classified as financial assets at amortised cost. They include trade and other receivables, loan to an associate, amount due from a joint venture, amount due from an associate, time deposits maturing over three months and cash and bank balances. They are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. They are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. All the Group's financial liabilities are at amortised costs which are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including trade and other payables, and bank borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iii) Equity instruments

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)*

4.10 Financial instruments *(Continued)*

Accounting policies applied from 1 January 2018 *(Continued)*

(iv) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in Note 4.11; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of IFRS 15.

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Accounting policies applied until 31 December 2017

(i) Financial assets

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

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 statement 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)*

Accounting policies applied until 31 December 2017 *(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

Accounting policies applied from 1 January 2018

The Group recognises loss allowances for ECLs on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 1 year past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

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

4.11 Impairment of financial assets *(Continued)*

Accounting policies applied until 31 December 2017

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, 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 includes 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.

4.13 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit.

Taxes in the statement 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.

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

4.13 Income taxes *(Continued)*

(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.

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

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.

4.17 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.

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

4.17 Foreign currencies *(Continued)*

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

Accounting policies applied from 1 January 2018

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time. Control of the goods or services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

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

4.18 Revenue recognition *(Continued)*

Accounting policies applied from 1 January 2018 *(Continued)*

(i) Sale of goods

Sale of goods is recognised as revenue when control of the goods has been transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

The only performance obligation of the contracts with customers is the sale of goods and this performance obligation is satisfied at a point in time. The credit period for customers is generally 30 days to 90 days from the invoice date.

There is no warranty clause in the contracts with customers.

(ii) Interest income

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

Accounting policies applied until 31 December 2017

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.

4.19 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue in accordance with the accounting policies which were applied from 1 January 2018 as set out in Note 4.18. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

The unsatisfied performance obligations as at 31 December 2018 are disclosed in Note 25.

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

4.20 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.

4.21 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.

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

4.21 Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(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) Impairment of interest in an associate

The management of the Group has performed an impairment assessment on the Group's interest in an associate as at 31 December 2018 based on a value in use calculation. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the associate 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 associate, 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 interest in an associate. The assumptions used are disclosed in Note 18.

(iii) 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.

(iv) 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.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

(v) Impairment of financial assets measured at amortised cost (from 1 January 2018)

Management estimates the amount of loss allowance for ECLs on financial assets that are measured at amortised cost based on the credit risk of the respective financial asset. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows after taking into consideration of expected future credit loss of the respective financial asset. The assessment of the credit risk of the respective financial asset involves high degree of estimation and uncertainty. When the actual future cash flows are different from expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

(vi) Impairment of receivables (until 31 December 2017)

Receivables are impaired 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.

(vii) 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.

(viii) 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

6. OPERATING SEGMENTS *(Continued)*

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.

Year ended 31 December 2018	**Elastic textile RM'000**	**Webbing RM'000**	**Other products RM'000**	**Elimination RM'000 *(Note)***	**Total RM'000**
Revenue					
Revenue from external customers	**48,066**	**33,561**	**10,938**	**–**	**92,565**
Inter-segment revenue	**246**	**–**	**6**	**(252)**	**–**
Total revenue	**48,312**	**33,561**	**10,944**	**(252)**	**92,565**
Segment cost of sales	**(37,074)**	**(26,876)**	**(8,517)**	**894**	**(71,573)**
Gross profit	**11,238**	**6,685**	**2,427**	**642**	**20,992**
Other income, net					**1,028**
Distribution costs					**(2,682)**
Administrative expenses					**(16,953)**
Interest income					**651**
Finance costs					**(649)**
Share of loss of an associate, net of tax					**(1,029)**
Share of profit of a joint venture, net of tax					**332**
Profit before income tax expense					**1,690**
Income tax expense					**(764)**
Profit for the year					**926**

Other segment item included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 is as follows:

Depreciation included in cost of sales	**1,892**	**405**	**239**	**–**	**2,536**

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

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 statement 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 statement 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 an associate and deferred tax assets ("**Specified non-current assets**").

6. OPERATING SEGMENTS *(Continued)*

Geographical information *(Continued)*

	2018 RM'000	2017 RM'000
Revenue from external customers		
Malaysia	**8,379**	8,667
Vietnam	**34,172**	38,655
Asia Pacific (excluding Malaysia and Vietnam)	**23,885**	27,960
Europe	**9,243**	16,391
North America	**16,578**	17,143
Others	**308**	929
	92,565	109,745

	2018 RM'000	2017 RM'000
Specified non-current assets		
Malaysia	**20,329**	20,823
Vietnam	**13,865**	13,930
Singapore	**1,876**	–
	36,070	34,753

Major customers

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

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

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

7. REVENUE

Revenue represents the net invoiced value of goods sold.

8. OTHER INCOME, NET

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

9. PROFIT BEFORE INCOME TAX EXPENSE

	Notes	2018 RM'000	2017 RM'000
Profit before income tax expense is arrived at after charging/(crediting):			
Auditors' remuneration		**395**	372
Amortisation of intangible assets	*17*	**20**	22
Cost of inventories recognised as expenses		**40,282**	41,021
Depreciation of property, plant and equipment	*16*	**3,003**	3,323
Gain on disposal of a subsidiary		**–**	(6,824)
Listing expenses (including professional fees and other expenses)		**–**	7,153
Interest income from:			
— fixed deposits		**(485)**	(82)
— bank balances		**(29)**	(39)
— advance to an associate		**(137)**	(36)
— advance to a fellow subsidiary		**–**	(211)
Inventories written down	*23*	**429**	191
Reversal of inventories written down	*23*	**(317)**	(111)
Net gain on disposal of property, plant and equipment		**(116)**	(31)
Rental expenses on:			
— building		**337**	364
— land		**249**	362
Impairment loss on trade receivables	*38(d)*	**48**	38
Reversal of impairment loss on trade receivables	*38(d)*	**(22)**	(10)
Employee costs included in:	*10*		
— cost of sales		**16,615**	19,790
— distribution costs		**415**	402
— administrative expenses		**11,791**	11,266

10. EMPLOYEE COSTS

	2018 **RM'000**	2017 RM'000
Employee costs (including directors) comprise:		
Wages, salaries and bonuses	**22,633**	24,162
Contributions to defined contribution plans	**3,452**	3,546
Other benefits	**2,736**	3,750
	28,821	31,458

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 2018 and 2017 are set out as follows:

For the year ended 31 December 2018

	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	**82**	**–**	**–**	**–**	**82**
Mr. Yang Guang	**6**	**–**	**–**	**–**	**6**
Executive directors					
Mr. Cheah Eng Chuan	**–**	**779**	**234**	**189**	**1,202**
Mr. Tan Chuan Dyi	**–**	**700**	**118**	**159**	**977**
Dato' Lua Choon Hann	**–**	**300**	**–**	**56**	**356**
Independent non-executive directors					
Mr. Ho Ming Hon	**61**	**–**	**–**	**–**	**61**
Dato' Sri Wee Jeck Seng	**61**	**–**	**–**	**–**	**61**
Dato' Sri Dr. Hou Kok Chung	**61**	**–**	**–**	**–**	**61**
	271	**1,779**	**352**	**404**	**2,806**

11. DIRECTORS' EMOLUMENTS *(Continued)*

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

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 year ended 31 December 2017 as follows:

	2017 RM'000
Dato' Lim Heen Peok	53
Dato' Lua Choon Hann	793

In the year ended 31 December 2017, part of the emoluments received was 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. Yang Guang was appointed as the Company's non-executive director on 23 November 2018.

(ii) Mr. Ho Ming Hon, Dato' Sri Wee Jeck Seng and Dato' Sri Dr. Hou Kok Chung were appointed as the Company's independent non-executive directors on 20 September 2017.

(iii) 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 (2017: Nil). In addition, none of the directors has waived or agreed to waive any emoluments during the year (2017: Nil).

(iv) The emoluments of Dato' Lim Heen Peok received from PRG Holdings are 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, 3 (2017: 2) were directors of the Company whose emoluments are included in the disclosures in Note 11 above. The emoluments of the remaining 2 (2017: 3) individuals were as follows:

	2018 RM'000	2017 RM'000
Salaries and other benefits	**902**	1,136
Discretionary bonus	**153**	122
Contributions to defined contribution plans	**154**	190
	1,209	1,448

The emoluments of each of the above highest paid individuals (excluding the directors of the Company) during 2018 were all within the following bands:

	2018 Number of individuals	2017 Number of individuals
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**2**	1
	2	3

13. FINANCE COSTS

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

14. INCOME TAX EXPENSE

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

	2018 RM'000	2017 RM'000
Current tax		
— provision for the year	**1,264**	2,104
— under provision in prior years	**107**	114
	1,371	2,218
Deferred tax (Note 22)		
— current year	**(468)**	(170)
— over provision in prior years	**(139)**	(146)
	(607)	(316)
Income tax expense	**764**	1,902

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% (2017: 24%) for the year ended 31 December 2018.

Vietnamese corporate income tax ("**CIT**") for the year ended 31 December 2018 is provided at the preferential CIT rate of 15% (2017: 15%) on the assessable profits of Furniweb (Vietnam) Shareholding Company ("**FVSC (VN)**").

Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd. ("**PEWAV (VN)**") had no liability to CIT for the year ended 31 December 2018 as PEWAV (VN) sustained losses for CIT purposes. CIT for PEWAV (VN) for the year ended 31 December 2017 is provided at 15% on the assessable profits of PEWAV (VN).

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

	2018 **RM'000**	2017 RM'000
Profit before income tax expense	**1,690**	10,476
Tax calculated at Malaysian statutory tax rate of 24%	**406**	2,514
Effect of different tax rates in Vietnam	**(273)**	(614)
Tax incentive	**(47)**	(339)
Tax effect of expenses not deductible for tax purposes	**1,029**	2,129
Tax effect of revenue not taxable	**(239)**	(1,929)
Deferred tax assets not recognised	**1**	196
Tax effect of share of profit of a joint venture	**(58)**	(59)
Under provision of income expense in prior years	**107**	114
Over provision of deferred tax in prior years	**(139)**	(146)
Others	**(23)**	36
Income tax expense	**764**	1,902

15. EARNINGS PER SHARE

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

	2018 **RM'000**	2017 RM'000
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**926**	8,804
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note)*	**504,000,000**	404,581,000

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

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

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	Leasehold improvement RM'000	Construction in progress RM'000	Total RM'000
Cost									
At 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 and 1 January 2018	**1,009**	**6,859**	**28,210**	**46,652**	**2,391**	**2,592**	**–**	**165**	**87,878**
Additions	**–**	**–**	**198**	**2,582**	**126**	**–**	**1,834**	**27**	**4,767**
Disposals	**–**	**–**	**–**	**(584)**	**(19)**	**(1,524)**	**–**	**–**	**(2,127)**
Translation adjustments	**–**	**–**	**15**	**62**	**1**	**–**	**34**	**–**	**112**
Reclassification	**–**	**–**	**–**	**163**	**–**	**–**	**–**	**(163)**	**–**
At 31 December 2018	**1,009**	**6,859**	**28,423**	**48,875**	**2,499**	**1,068**	**1,868**	**29**	**90,630**
Accumulated depreciation									
At 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 and 1 January 2018	**–**	**1,570**	**10,226**	**38,894**	**2,051**	**1,659**	**–**	**–**	**54,400**
Charge for the year	**–**	**88**	**919**	**1,546**	**123**	**327**	**–**	**–**	**3,003**
Disposals	**–**	**–**	**–**	**(584)**	**(19)**	**(1,048)**	**–**	**–**	**(1,651)**
Translation adjustments	**–**	**–**	**24**	**37**	**2**	**–**	**–**	**–**	**63**
At 31 December 2018	**–**	**1,658**	**11,169**	**39,893**	**2,157**	**938**	**–**	**–**	**55,815**
Net book value									
At 31 December 2018	**1,009**	**5,201**	**17,254**	**8,982**	**342**	**130**	**1,868**	**29**	**34,815**
At 31 December 2017	1,009	5,289	17,984	7,758	340	933	–	165	33,478

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

(a) As at 31 December 2018 and 2017, freehold land, long term leasehold land, buildings and certain plant and machinery of the Group with carrying amount of RM23,712,000 and RM25,133,000 respectively are pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 26.

(b) As at 31 December 2018, no plant and equipment of the Group was acquired under finance lease arrangements upon full repayment of outstanding finance lease obligations during the year (2017: property, plant and equipment of the Group included motor vehicles acquired under finance lease arrangements with carrying amounts of RM782,000).

17. INTANGIBLE ASSETS

	Goodwill	**Computer software**	**License**	**Total**
	RM'000	RM'000	RM'000	RM'000
Cost				
At 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 January 2018 and 31 December 2018	**1,233**	**310**	**–**	**1,543**
Accumulated amortisation and impairment				
At 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 and 1 January 2018	**–**	**268**	**–**	**268**
Charge for the year	**–**	**20**	**–**	**20**
At 31 December 2018	**–**	**288**	**–**	**288**
Net book value				
At 31 December 2018	**1,233**	**22**	**–**	**1,255**
At 31 December 2017	1,233	42	–	1,275

17. INTANGIBLE ASSETS *(Continued)*

(a) Goodwill

	2018 RM'000	2017 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. Bhd. ("**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 2018 and 2017, the recoverable amount of the CGU is determined based on a "value in use" calculation. The value in use of the CGU is determined by discounting the future cash flows to be generated from continuing use of the CGU. The value in use as at 31 December 2018 and 2017 is derived based on management's cash flow projections for three years from 2019 to 2021 and 2018 to 2020 respectively.

The key assumptions used in the value in use calculations are as follows:

(1) The anticipated average annual revenue growth rates used in the cash flow projections of the CGU ranged from 5% to 12% and 5% to 10% per annum for the years 2019 to 2021 and 2018 to 2020 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 16.75% was applied for the year ended 31 December 2018 and 13.96% was applied for the year ended 31 December 2017 over the projection periods in determining the recoverable amount of the CGU. The discount rate used is pre tax and reflects the overall weighted average cost of capital of the CGU.

(ii) Sensitivity to changes in assumptions

The management believes that a reasonably possible change in the key assumptions on which management has based its determination of the CGU's recoverable amount would not cause the CGU's carrying amount to exceed its recoverable amount.

18. INTEREST IN AN ASSOCIATE

	2018 **RM'000**	2017 RM'000
Share of net assets other than goodwill	**931**	1,987
Goodwill	**3,244**	3,244
	4,175	5,231

Name	Place and date of incorporation	Issued and paid-up capital	Effective interest held by the Company **2018**	2017	Principal activities
Associate					
Furnitech Components (Vietnam) Co., Ltd. ("**FCV (VN)**")	The Socialist Republic of Vietnam ("**Vietnam**") 4 August 2004	United States dollar ("**USD**") 3,910,000	**45.06%**	45.06%	Manufacture and sale of metal components for furniture

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:

	2018 **RM'000**	2017 RM'000
Assets and liabilities		
Non-current assets	**5,588**	5,696
Current assets	**5,741**	7,146
Current liabilities	**(9,264)**	(8,433)
Net assets	**2,065**	4,409
Reconciliation to the Group's interest in an associate:		
Proportion of the Group's ownership	**45.06%**	45.06%
Share of net assets other than goodwill	**931**	1,987
Goodwill	**3,244**	3,244
Carrying amount of the investment	**4,175**	5,231
Included in the net assets are:		
Cash and cash equivalents	**1,037**	3,030
Current financial liabilities (excluding trade and other payables)	**(5,435)**	(4,953)

18. INTEREST IN AN ASSOCIATE *(Continued)*

	2018 RM'000	2017 RM'000
Results		
Revenue	**5,771**	1,550
Loss before income tax expense	**(2,284)**	(643)
Income tax expense	**–**	–
Loss after tax	**(2,284)**	(643)
Other comprehensive income:		
Foreign currency translations	**(63)**	(95)
Total comprehensive income	**(2,347)**	(738)
Reconciliation to the Group's interest in an associate:		
Proportion of the Group's ownership	**45.06%**	45.06%
Loss after tax	**(1,029)**	(290)
Included in the above amounts are:		
Depreciation and amortisation	**(279)**	(52)
Interest expense	**(240)**	(58)

(i) For the purpose of impairment testing as at 31 December 2018, the recoverable amount of the Group's interest in an associate is determined based on a "value in use" calculation. The value in use of the Group's interest in an associate is determined by discounting the future cash flows to be generated from the associate. The value in use as at 31 December 2018 is derived based on management's cash flow projections for five years from 2019 to 2023.

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 associate are 57%, 20%, 20%, 11% and 11% per annum for the years 2019, 2020, 2021, 2022 and 2023 respectively. The rates have been determined based on management expectations of market development and discussions with key customers.

(2) The cash flows of the CGU beyond the five-year period are extrapolated using a growth rate of 3% which was below the average growth rate of the industry.

(3) Pre tax discount rate of 18.83% was applied for the year ended 31 December 2018 over the projection periods in determining the recoverable amount of the Group's interest in an associate. The discount rate used is pre tax and reflects the overall weighted average cost of capital of the associate.

(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 recoverable amount of the interest in an associate would not cause the carrying amount of the interest in an associate to exceed its recoverable amount.

19. INTEREST IN A JOINT VENTURE

	2018 RM'000	2017 RM'000
Share of net assets	**1,146**	1,109

Name	Place and date of incorporation	Issued and paid-up capital	Effective interest held by the Company 2018	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.

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:

	2018 RM'000	2017 RM'000
Assets and liabilities		
Non-current assets	**164**	195
Current assets	**2,803**	2,285
Current liabilities	**(674)**	(261)
Net assets	**2,293**	2,219
Reconciliation to the Group's interest in a joint venture:		
Proportion of the Group's ownership	**50%**	50%
Carrying amount of the investment	**1,146**	1,109
Included in the net assets are:		
Cash and cash equivalents	**1,595**	1,353
Current financial liabilities (excluding trade and other payables)	**–**	(118)

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

	2018 RM'000	2017 RM'000
Results		
Revenue	**3,884**	3,644
Profit before income tax expense	**782**	681
Income tax expense	**(117)**	(118)
Profit after tax	**665**	563
Other comprehensive income:		
Foreign currency translations	**(8)**	(174)
Total comprehensive income	**657**	389
Other information:		
Dividend received from the joint venture	**(291)**	(440)
Included in the above amounts are:		
Depreciation and amortisation	**(40)**	(47)

The joint venture had no contingent liabilities and capital commitments as at 31 December 2018 and 2017.

20. TRADE AND OTHER RECEIVABLES

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

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

Included in the Group's trade receivables are amounts due from the Group's joint venture and an associate of RM240,000 (2017: RM40,000) and RM39,000 (2017: RM42,000) respectively which are repayable on credit terms similar to those offered to the other customers of the Group.

20. TRADE AND OTHER RECEIVABLES *(Continued)*

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

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

The Group recognised impairment loss based on the accounting policy stated in Note 4.11.

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 38(d).

The Group applies the general approach to provide for ECLs prescribed by IFRS 9. As at 31 December 2018, there were no provision made against the gross amount of other receivables (excluding prepayments and indirect taxes recoverable) as detailed in Note 38(d).

21. AMOUNTS DUE FROM A JOINT VENTURE AND AN ASSOCIATE AND BALANCES WITH SUBSIDIARIES

(a) Balances with a joint venture

Particulars of the amount due from a joint venture are as follows:

	2018 RM'000	2017 RM'000
Trunet (Vietnam) Co., Ltd.	**84**	78

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

The Group applies the general approach to provide for ECL prescribed by IFRS 9. As at 31 December 2018, there were no provision made against the amount due from a joint venture as the ECL is immaterial.

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 A JOINT VENTURE AND AN ASSOCIATE AND BALANCES WITH SUBSIDIARIES *(Continued)*

(b) Balances with an associate

Particulars of loan to an associate are as follows:

	2018 RM'000	2017 RM'000
FCV (VN)	**4,712**	–

Loan to an associate is non-trade in nature, unsecured, interest-bearing at 3% per annum and repayable not later than 25 September 2021 (2017: Nil).

The Group applies the general approach to provide for ECL prescribed by IFRS 9. As at 31 December 2018, there was no provision made against the loan to an associate as the ECL is immaterial.

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

	2018 RM'000	2017 RM'000
FCV (VN)	**721**	4,853

The amount due from an associate is non-trade in nature, unsecured, interest-free and repayable on demand (2017: non-trade in nature, unsecured, interest-free and repayable on demand, except for RM 4,664,000 as at 31 December 2017, which is interest-bearing at 3% per annum and repayable on 31 December 2018).

The Group applies the general approach to provide for ECL prescribed by IFRS 9. As at 31 December 2018, there was no provision made against the amount due from an associate as the ECL is immaterial.

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

(c) Balances with subsidiaries

Company

The amounts due from/ 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	Unabsorbed capital allowance	Unabsorbed tax losses	Other deductible temporary differences	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	1,094	–	(17)	(81)	(3)	993
Recognised in profit or loss	4	–	–	(289)	(31)	(316)
At 31 December 2017 and 1 January 2018	**1,098**	**–**	**(17)**	**(370)**	**(34)**	**677**
Recognised in profit or loss	**(106)**	**(42)**	**(330)**	**(144)**	**15**	**(607)**
At 31 December 2018	**992**	**(42)**	**(347)**	**(514)**	**(19)**	**70**

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

	2018	2017
	RM'000	RM'000
Deferred tax assets	**(673)**	(177)
Deferred tax liabilities	**743**	854
	70	677

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

	2018	2017
	RM'000	RM'000
Unrecognised tax losses		
— Malaysia subsidiaries	**309**	264

As at 31 December 2018 and 2017, there were no unrecognised tax losses of Vietnam subsidiaries.

The unrecognised tax losses of Malaysia subsidiaries do not expire under the current tax legislation.

23. INVENTORIES

	2018 RM'000	2017 RM'000
Raw materials	**10,469**	11,132
Work in progress	**4,536**	3,207
Finished goods	**5,385**	5,660
Other consumables	**1,730**	1,482
	22,120	21,481

Inventories written down during the years ended 31 December 2018 and 2017 amounted to RM429,000 and RM191,000 respectively and are included in cost of sales.

During the years ended 31 December 2018 and 2017, the Group reversed RM317,000 and RM111,000 respectively 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

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

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

The ageing analysis of trade and bills payables, based on invoice dates, as at 31 December 2018 and 2017 are as follows:

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

Included in the Group's trade payables are amounts due to the Group's joint venture and an associate of RM2,000 (2017: RM48,000) and RM4,000 (2017: Nil) respectively which are repayable on credit terms similar to those offered by the joint venture and associate to its customers.

25. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 December 2018 and will be expected to be recognised within one year:

	31 December 2018 RM'000	1 January 2018 RM'000	31 December 2017 RM'000
Sale of goods	**127**	66	–

It represented amounts received from customers in advance in relation to sales of elastic textile and webbing. The amounts are recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific location.

Set out below is the amount of carried-forward contract liabilities recognised as revenue in the current reporting period:

	2018 RM'000
Revenue recognised that was included in the balance of contract liabilities of RM66,000 at 1 January 2018	
Sale of goods	**66**

26. BANK BORROWINGS

	2018 RM'000	2017 RM'000
Term loans (secured) (Notes (a) and (b))	**9,827**	10,564
Bank overdraft (secured) (Note (a))	**842**	–
	10,669	10,564
Borrowings are repayable as follows:		
— within one year	**1,095**	647
— after one year but within two years	**265**	273
— after two years but within five years	**887**	905
— after five years	**8,422**	8,739
	10,669	10,564
Amount due within one year included in current liabilities	**1,095**	647
Amount included in non-current liabilities	**9,574**	9,917

26. BANK BORROWINGS *(Continued)*

Notes:

(a) Term loans are interest-bearing at floating rates. The interest rates of the Group's term loans as at 31 December 2018 and 2017 ranged from 4.97% to 5.47% and 3.50% to 5.22% per annum respectively.

(b) Bank overdraft are interest-bearing at floating rates. The interest rates of the Group's bank overdraft as at 31 December 2018 ranged from 8.79% to 9.04%.

(c) As at 31 December 2018 and 2017, the carrying amount of term loans from banks in Malaysia that are not repayable within one year from the end of the reporting period but contains repayable on demand clause amounted to RM9,574,000 and RM9,917,000, 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 2018 and 2017 in accordance with other terms and conditions as stated in the respective term loan agreement.

Any change to the precedence established by the case laws in Malaysia relating to the interpretation of the repayment on demand clause in the future may have an impact on the classification of the term loans of the Group.

(d) As at 31 December 2018 and 2017, the Group's banking facilities are secured by a pledge over the Group's freehold land, long-term leasehold land, buildings and certain plant and machinery with a total carrying amount of RM23,712,000 and RM25,133,000 respectively, as disclosed in Note 16.

(e) As at 31 December 2018, the Group had aggregate bank borrowing facilities of approximately RM31,155,000 (2017: RM31,500,000), of which RM16,250,000 (2017: RM15,481,000) was unutilised as at the same date.

27. OBLIGATIONS UNDER FINANCE LEASES

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 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

All obligations under finance leases as at 31 December 2017 were early repaid in 2018.

The present value of future lease payments are analysed as:

	2018	2017
	RM'000	RM'000
Current liabilities	–	270
Non-current liabilities	–	340
	–	610

28. 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 31 December 2017 and 2018	1,000,000,000	100,000

	Number	Amount	Amount
		HK$'000	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 31 December 2017 and 2018	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 International Limited ("**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.

29. 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 1 January 2017, 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 translation reserve*

Exchange translation 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 losses RM'000	Total RM'000
Issue of ordinary shares by the Company pursuant to the Reorganisation	–	68,936	–	–	68,936
Issue of shares, share offer and placing (Note 28(d))	27,287	–	–	–	27,287
Capitalisation issue (Note 28(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
Other comprehensive income	–	–	2,004	–	2,004
Loss for the year	–	–	–	(1,207)	(1,207)
At 31 December 2018	3,609	68,936	1,389	(11,230)	62,704

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.

30. DIVIDENDS

	2018 **RM'000**	2017 RM'000
Final dividend paid in respect of the year ended 31 December 2015	–	2,208
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 year ended 31 December 2017 represented final dividends paid/declared by the following subsidiaries to PRG Holdings:

	2018 **RM'000**	2017 RM'000
FVSC (VN)	–	21,593
FIPB	–	5,000
	–	26,593

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 of the shares of the Company on GEM in 2017.

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

31. OPERATING LEASES

As at 31 December 2018 and 2017, the Group had operating lease commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 **RM'000**	2017 RM'000
Not later than one year	**2,221**	474
Later than one year and not later than five years	**19,617**	1,258
Later than five years	**7,296**	6,250
	29,134	7,982

The Group's operating lease commitment comprises the following:

(i) rental of three parcels of land under operating leases to industrial zone owners in Vietnam. The leases will expire in 2044 and 2048, with an option to renew the lease at the end of the lease term;

(ii) rental of a factory for a period of three years, with an option to renew the lease at the end of the lease term; and

(iii) rental of shops for a period of five years, with an option to renew the lease at the end of the lease term.

None of the leases included contingent rentals.

32. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2018 RM'000	2017 RM'000
Non-current asset			
Interests in subsidiaries	33	**71,589**	69,980
Current assets			
Other receivables		**139**	121
Amounts due from subsidiaries	21(c)	**10,572**	–
Cash and bank balances		**8,296**	19,635
		19,007	19,756
Current liabilities			
Other payables		**357**	349
Amounts due to subsidiaries	21(c)	**250**	195
		607	544
Net current assets		**18,400**	19,212
NET ASSETS		**89,989**	89,192
Equity			
Share capital	28	**27,285**	27,285
Reserves	29	**62,704**	61,907
TOTAL EQUITY		**89,989**	89,192

On behalf of the Board

Mr. Cheah Eng Chuan
Director

Mr. Tan Chuan Dyi
Director

33. 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 2018	2017	Principal activities
Directly held subsidiary					
FIPB	British Virgin Islands 28 December 2016	USD101	**100%**	100%	Investment holding
Premier Management International Limited	Hong Kong 25 November 2016	HKD1	**100%**	N/A	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	**100%**	100%	Manufacture and sale of upholstery webbings and covered elastic yarn
PEWAV (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
PP Retail Pte. Ltd.	Singapore 11 April 2018	SGD1	**100%**	N/A	Retail sale of clothing, footwear and ancillary products

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

34. 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.

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).

35. 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:

Name of related party	Relationship	Nature of transactions	Amount 2018 RM'000	Amount 2017 RM'000
Trunet (Vietnam) Co., Ltd.	Joint venture	Sales of goods	**1,446**	1,216
		Provision of services	**63**	72
		Purchase of materials	**(67)**	(131)
		Commission received/receivable	**90**	81
		Rental income	**99**	107
		Dividend received	**291**	440
FCV (VN)	Associate	Interest income	**137**	36
		Commission income	**109**	50
		Business development fee	**206**	104
		Sales of goods	**66**	40
		Purchase of materials	**(114)**	(9)
Premier De Muara Sdn. Bhd.	Fellow subsidiary	Interest income	**–**	211
PRG Holdings	Ultimate holding company	Interest expenses	**–**	(63)

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, 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.

36. CAPITAL COMMITMENTS

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

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2018 RM'000	2017 RM'000
Financial assets		
Financial assets measured at amortised cost		
Loan to an associate	**4,712**	–
Trade and other receivables (excluding prepayments and indirect taxes recoverable)	**16,654**	–
Amount due from a joint venture	**84**	–
Amount due from an associate	**721**	–
Time deposits maturing over three months	**647**	–
Cash and bank balances	**31,600**	–
	54,418	–
Financial assets		
Loans and receivables		
Loan to an associate	–	–
Trade and other receivables (excluding prepayments and indirect taxes recoverable)	–	15,248
Amount due from a joint venture	–	78
Amount due from an associate	–	4,853
Time deposits maturing over three months	–	1,817
Cash and bank balances	–	36,376
	–	58,372

	2018 RM'000	2017 RM'000
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade and other payables	**11,254**	13,787
Obligations under finance leases	–	610
Bank borrowings	**10,669**	10,564
	21,923	24,961

The carrying values of the financial assets included above approximate their fair values due to their short term nature or the effect of discounting is immaterial.

The carrying values of the financial liabilities including current portion of bank borrowings (2017: 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 bank borrowings (2017: 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 bank borrowings as at 31 December 2018 and obligations under finance leases and bank borrowings as at 31 December 2017 was assessed to be insignificant. The carrying values of the non-current portion of bank borrowings also approximate their fair values as at 31 December 2018 and 2017. The carrying values of the non-current position of obligations under finance leases also approximate their fair values as at 31 December 2017.

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 2018 and 2017 are as follows:

	USD RM'000	**Euro RM'000**
31 December 2018		
Trade and other receivables	**13,942**	**–**
Cash and bank balances	**11,835**	**951**
Trade and other payables	**(1,364)**	**–**
Overall net exposure	**24,413**	**951**

	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

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:

	2018	2017
	RM'000	RM'000
USD appreciated by 10%	**2,441**	1,868
Euro appreciated by 10%	**95**	19

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.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Interest rate risk *(Continued)*

The following details the interest rate profile of the Group's financial instruments at the end of each reporting period.

	2018 Effective interest rate (%)	2018 RM'000	2017 Effective interest rate (%)	2017 RM'000
Fixed rate				
Obligations under finance leases	–	–	2.18–2.69	610
Less: Deposits placed with financial institutions	1.00–5.50	(12,013)	1.0–6.30	(2,102)
		(12,013)		(1,492)
Floating rate				
Bank overdraft	8.79–9.04	842	8.79	–
Bills payable	7.00–7.80	3,096	2.96–7.20	4,105
Term loans	4.97–5.47	9,827	3.50–5.22	10,564
		13,765		14,669
Total net borrowings		1,752		13,177
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:

	2018 RM'000	2017 RM'000
Increase by 0.5%	(54)	(58)
Decrease by 0.5%	54	58

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 2018 and 2017.

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 2018						
Trade and other payables	**11,254**	**11,254**	**11,254**	**–**	**–**	**–**
Bank borrowings	**10,669**	**17,253**	**1,604**	**762**	**2,286**	**12,601**
	21,923	**28,507**	**12,858**	**762**	**2,286**	**12,601**
Financial guarantee issued (Note 41)	**–**	**2,086**	**2,086**	**–**	**–**	**–**

	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

(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 statement of financial position.

At the end of each reporting period, the Group has a certain concentration of credit risk as 13% (2017: 16%) and 42% (2017: 47%) of the Group's total trade receivables was due from the Group's top trade receivable and the top five trade receivables respectively.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Credit risk *(Continued)*

Trade receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Weighted average lifetime ECL rate	**Gross carrying amount**	**Lifetime ECLs**	**Net carrying amount**
		RM'000	RM'000	RM'000
Collective assessment				
Not past due	0.40%	10,174	(41)	10,133
Past due				
1-30 days	1.61%	3,909	(63)	3,846
31-60 days	3.16%	443	(14)	429
61-90 days	9.09%	55	(5)	50
Over 90 days	27.17%	92	(25)	67
		14,673	(148)	14,525
Individual assessment	100%	216	(216)	–
		14,889	(364)	14,525

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see Note 4.11). At 31 December 2017, trade receivables of RM108,000 were determined to be impaired. The ageing analysis of trade receivables that were not considered to be impaired was as follows:

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

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Credit risk *(Continued)*

Trade receivables *(Continued)*

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

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

The Group has trade receivables amounting to RM3,035,000 that are past due as at 31 December 2017 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.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018 **RM'000**	2017 RM'000
Balance at 31 December under IAS 39	**108**	89
Impact of initial application of IFRS 9 (Note 3(a))	**225**	–
Adjusted balance at 1 January	**333**	89
Impairment loss recognised	**48**	38
Reversal of impairment loss previously recognised	**(22)**	(10)
Exchange differences	**5**	(9)
Balance at 31 December	**364**	108

ECLs model for other receivables, loan to an associate, amounts due from a joint venture and an associate, are summarised below:

Other receivables, loan to an associate, amounts due from a joint venture and an associate that are not credit-impaired on initial recognition are classified in "Stage 1" and have their credit risk continuously monitored by the Group. The ECLs are measured on a 12-month basis.

— If a significant increase in credit risk (as defined below) since initial recognition is identified, the financial asset is moved to "Stage 2" but it not yet deemed to be credit-impaired. The ECLs are measured on lifetime basis.

— If the financial asset is credit-impaired, the financial asset is then moved to "Stage 3". The ECL is measured on lifetime basis.

— At Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

As at 31 December 2018, no provision was made against the gross amount of other receivables, loan to an associate, amounts due from a joint venture and an associate, because the Group considered the impact of the impairment of these financial assets to be insignificant based on past credit history and the nature of these financial assets.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Credit risk *(Continued)*

Corporate guarantee given on behalf of an associate

As at 31 December 2018, no ECL provision was made against the corporate guarantee given on behalf of an associate to a bank because the Group considered that the ECL was insignificant.

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 2018.

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 2018.

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:

	2018	2017
	RM'000	RM'000
Total debt	**10,669**	11,174
Total equity	**98,662**	97,606
Gearing ratio	**10.8%**	11.4%

40. SUPPLEMENTARY NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(a) During the year ended 31 December 2018, an amount of RM4,712,000 was transferred from amount due from an associate to loan to an associate as set out in Note 21(b).

(b) 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 30.

(c) 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.

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

Reconciliation

Reconciliation of liabilities arising from financing activities

	Obligations under finance leases RM'000	Bank borrowings (excluding bank overdraft) RM'000	Total RM'000
As at 1 January 2018	**610**	**10,564**	**11,174**
Changes for cash flows:			
Repayment of bank loans	**–**	**(728)**	**(728)**
Repayment of obligations under finance leases	**(610)**	**–**	**(610)**
Interest paid on bank borrowings	**–**	**(418)**	**(418)**
Interest paid on obligations under finance leases	**(22)**	**–**	**(22)**
Total changes from financing cash flows:	**(632)**	**(1,146)**	**(1,778)**
Exchange adjustments:	**–**	**(9)**	**(9)**
Other changes:			
Interest expenses	**–**	**418**	**418**
Finance charges on obligations under finance leases	**22**	**–**	**22**
Total other changes:	**22**	**418**	**440**
As at 31 December 2018	**–**	**9,827**	**9,827**

40. SUPPLEMENTARY NOTES TO CONSOLIDATED STATEMENT 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 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(c))	(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

41. CONTINGENT LIABILITY

	2018 RM'000	2017 RM'000
Corporate guarantee given to a bank for credit facilities granted to an associate – unsecured		
– Limit of guarantee	**2,086**	–
– Amount utilised	**2,086**	–

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

42. EVENT AFTER THE REPORTING DATE

On 12 March 2019, a sale and purchase agreement ("**S&P Agreement**") was entered into among the Company, Triumph Star Global Limited (the "**Vendor**") and Ms. Jim Ka Man, the guarantor. Pursuant to the S&P Agreement, the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire issued share capital of Meinaide Holdings Group Limited for the consideration of HK$140,000,000, which shall be satisfied by the Company by way of allotment and issue of 56,000,000 shares of the Company at the issue price of HK$2.50 per share to the Vendor or its nominee credited as fully paid upon completion in accordance with the terms and conditions of the S&P Agreement. Further details in relation to the acquisition were disclosed in the announcement dated 12 March 2019.

43. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the directors on 20 March 2019.

FINANCIAL SUMMARY

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

RESULTS

	For the year ended 31 December			
	2015	2016	2017	**2018**
	RM'000	RM'000	RM'000	**RM'000**
Revenue	89,034	97,937	109,745	**92,565**
Profit before income tax expense	6,886	7,994	10,476	**1,690**
Income tax expense	(1,510)	(1,326)	(1,902)	**(764)**
Profit for the year	5,376	6,668	8,574	**926**
Profit attributable to:				
Owners of the Company	5,636	6,826	8,804	**926**
Non-controlling interests	(260)	(158)	(230)	**–**
	5,376	6,668	8,574	**926**

ASSETS AND LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December			
	2015	2016	2017	**2018**
	RM'000	RM'000	RM'000	**RM'000**
Total assets	112,809	121,309	123,920	**121,897**
Total liabilities	(41,526)	(45,292)	(26,314)	**(23,235)**
Total equity	71,283	76,017	97,606	**98,662**
Equity attributable to owners of the Company	71,099	75,994	97,606	**98,662**
Non-controlling interests	184	23	–	**–**
Total equity	71,283	76,017	97,606	**98,662**