

# FURNIWEB HOLDINGS LIMITED

## 飛電控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8480



**2019**  
ANNUAL REPORT

## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

*This report, for which the directors (the "Directors") of FURNIWEB HOLDINGS LIMITED (the "Company" together with its subsidiaries, the "Group") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

# Contents

<b>2</b>	Corporate Information
<b>4</b>	Chairman's Statement
<b>6</b>	Management Discussion and Analysis
<b>17</b>	Directors and Senior Management
<b>28</b>	Report of the Directors
<b>41</b>	Corporate Governance Report
<b>57</b>	Environmental, Social & Governance Report
<b>66</b>	Independent Auditor's Report
<b>69</b>	Consolidated Statement of Profit or Loss and Other Comprehensive Income
<b>71</b>	Consolidated Statement of Financial Position
<b>73</b>	Consolidated Statement of Changes in Equity
<b>74</b>	Consolidated Statement of Cash Flows
<b>76</b>	Notes to the Financial Statements
<b>142</b>	Financial Summary



# 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

Dato' Lua Choon Hann

Mr. Cheah Hannon

### Independent Non-Executive Directors

Mr. Ho Ming Hon

Dato' Lee Chee Leong

Dato' Sri Dr. Hou Kok Chung

## BOARD COMMITTEES

### Audit Committee

Mr. Ho Ming Hon (*chairman*)

Dato' Sri Dr. Hou Kok Chung

Dato' Lee Chee Leong

### Remuneration Committee

Dato' Lee Chee Leong (*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' Lee Chee Leong

Mr. Cheah Eng Chuan

### Risk Management Committee

Mr. Ho Ming Hon (*chairman*)

Dato' Lee Chee Leong

Mr. Cheah Hannon

## COMPLIANCE OFFICER

Mr. Cheah Hannon

## AUTHORISED REPRESENTATIVE

(for the purpose of the GEM Listing Rules)

Dato' Lua Choon Hann

Mr. Cheah Hannon

## PRINCIPAL BANKERS

Bank of Communications (Hong Kong) Limited

China Construction Bank (Asia) Corporation Limited

Industrial and Commercial Bank of China Limited

Hong Leong Bank Berhad

Maybank Singapore Limited

Public Bank Berhad

Public Bank Vietnam

RHB Bank Berhad

Vietcombank

## REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681 Grand Cayman KY1-1111

Cayman Islands

## HEADQUARTERS

Lot 1883, Jalan KP9

Kg. Bharu Balakong

43300 Seri Kembangan

Selangor

Malaysia

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31st Floor, 148 Electric Road

North Point

Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

### Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

### Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

# Corporate Information

## **AUDITOR**

### **ZHONGHUI ANDA CPA Limited**

Certified Public Accountants  
Unit 701-3 & 8, Citicorp Centre  
18 Whitfield Road  
Causeway Bay  
Hong Kong

## **COMPANY SECRETARY**

Mr. Kwok Siu Man  
(Fellow of The Hong Kong Institute of Chartered Secretaries)  
Mr. Au Yeung Yiu Chung  
(Associate member of The Hong Kong Institute of  
Chartered Secretaries)

## **COMPLIANCE ADVISER**

### **Sunfund Capital Limited**

Unit 2620, 26/F  
Admiralty Centre Tower 1  
18 Harcourt Road, Admiralty  
Hong Kong

## **LEGAL ADVISER**

### **Chiu & Partners**

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

## **COMPANY WEBSITE**

[www.furniweb.com.my](http://www.furniweb.com.my)

## **GEM STOCK CODE**

8480

# Chairman's Statement

Dear valued Shareholders,

On behalf of the Board of Directors of Furniweb Holdings Limited, I wish to present the annual report of the Company for the financial year ended 31 December 2019.

## PERFORMANCE REVIEW

For the financial year, the revenue of the Group reached RM125.9 million, an increase of 71.1% as compared to the previous year. The additional revenue came from Meinaide Holdings Group Limited ("**Meinaide**"), a company which was acquired on 28 June 2019, as well as from the Philipp Plein luxury fashion business which was launched in Singapore in April 2019.

As we all know the trade war between the USA and China and the resultant tit for tat sanctions, impacted many sectors of the economy of both countries. Due to the uncertainty and volatility of the situation and recognising the consequential supply and demand risk, an one-off impairment of the goodwill in the acquisition of Meinaide was taken. This is also in compliance with the accounting standard *IAS 36, Impairment of Assets*. The amount impaired came to RM34.5 million and hugely affected the profitability of the Group. There was also the need to recognise the impairment losses from a non-profitable subsidiary and associate amounting to RM8.8 million.

As mentioned earlier, the Philipp Plein franchise was launched in the second quarter of 2019 on the completion of our signature store in the Singapore Marina Bay Sands resort, a top end resort in the region. The potential of this franchise is still to be fully realised and will need time to develop. Meanwhile the initial substantial capital investment and business development expenses impacted the profitability of the Group in its maiden year amounted to RM7.7 million on the bottom line.

## CORPORATE DEVELOPMENTS

Taking a longer term view of its manufacturing business, the Group took an initiative to acquire Meinaide, a growing manufacturing company in China. This exercise was completed on 28 June 2019, thus expanding the product and technology base of the Group, as well as taking a foothold in a large market like China.

The Group also entered into an agreement to dispose of a subsidiary in Vietnam, to better allocate its resources to other profitable product lines within the Group. This streamlining and product portfolio adjustment will be our focus in the next year and beyond.

To further develop our retail business, we entered into a subscription agreement with Ignatius International Private Limited. This is to facilitate the further development of the retail business and to maximise the potential of the franchises. As at the date of this report, the subscription of shares has not been completed.

# Chairman's Statement

## OUTLOOK

The global outbreak of the Novel Corona Virus Disease–2019 (“**COVID-19**”) pandemic has brought about an unprecedented slew of events. To counter the highly infectious virus, almost every country has shut down its economic and social activities. The impact on almost all spectrum of businesses is hard to measure but certainly it will be of a depression order. A large portion of our manufactured products are exported and the pandemic has caused a standstill in demand. A bigger concern is the disruption of the global supply chain and what will be the new geopolitical landscape as countries review their own critical strategic needs and the sourcing risk.

In Malaysia, the Movement Control Order implemented by the government from 18 March to 12 May 2020, which may be further extended, has curtailed almost all businesses except essential services. We foresee that the economy will only be restarted on a staggered basis and the demand and supply forces will be unpredictable. As countries balance their citizens' health with economic recovery, the looming threat of COVID-19 and its lethality sans a vaccine, will bring an era of huge risk and uncertainty.

The Group is taking stock of the situation closely and taking required short term measures to mitigate the pandemic risk. On a longer term as the new normal takes shape, we will adapt and adjust our strategy, organisation and people to stabilise, strengthen and move forward.

We wish to thank all our stakeholders for the continued trust in us and we look forward to your understanding and cooperation.

We also wish to extend our appreciation to management and staff for their untiring effort under tiring times.

May you all be safe and healthy.

**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.

On 28 June 2019, the Group has completed the acquisition of the entire issued share capital of Meinaide Holdings Group Limited (the "**Acquisition**"), whose subsidiaries in Hong Kong and PRC (together with Meinaide Holdings Group Limited, collectively the "**PVC Subsidiaries**") are mainly engaged in the manufacture and sale of PVC related products to customers in Hong Kong, PRC and other Asian countries. The revenue from the Manufacturing Division for the financial year ended 31 December 2019 ("**Financial Year**") was approximately RM119.5 million, increased by approximately RM45.9 million or 62.4% as compared to 2018. During the Financial Year, domestic sales and export sales accounted for approximately 53.8% and 46.2% (2018: 35.8% and 64.2%) of the total revenue, respectively. Asia Pacific region, Europe and North America continued to be the major export countries of the Group during both years.

Revenue generated from the sale of elastic textile, webbing and PVC products accounted for approximately 25.0%, 31.4% and 30.1% (2018: 39.6%, 45.6% and Nil) of the total revenue respectively during the Financial Year. The performance by products as below:

#### (i) Elastic textile

For the Financial Year, the revenue of elastic textile was approximately RM31.5 million, increased by approximately RM2.4 million or 8.1% as compared to 2018, mainly due to an increase in sales orders from the customers in Asia Pacific region and North America as well as an increase in average selling price during the Financial Year.

#### (ii) Webbing

For the Financial Year, the revenue of webbing was approximately RM39.6 million, increased by approximately RM6.0 million or 17.9% as compared to 2018. This was mainly attributable to an increase in sales orders for both furniture webbing and seat belt webbing from customers in Asia Pacific region as well as an increase in average selling price during the Financial Year.

#### (iii) Other manufacturing products

During the Financial Year, the revenue of other manufacturing products was approximately RM48.4 million, increased by approximately RM37.5 million or 343% as compared to 2018, mainly due to the revenue contributed by the PVC Subsidiaries of approximately RM37.9 million (2018: RMNil).

### (b) Retail Division

The Group had ventured into retail business in the second quarter of 2018 and became an authorised dealer of the luxurious apparel brand "**Philipp Plein**" in Singapore, Malaysia, Thailand and a few approved additional territories. The first flagship store was opened in Marina Bay Sands, Singapore in April 2019, which is the first "**Philipp Plein**" store in South East Asia. The second store which is 49% owned by the Group, was opened in IconSiam, Bangkok in Thailand in July 2019.

In order to promote the brand in South East Asia, the Group has incurred substantial marketing expenses for grand opening events, marketing initiative and promotion events to reach out to the local customers as well as tourist traffic. For the Financial Year, being the first year the Group commenced its retail business, the Group was still adjusting its product mix, understanding market trend, profiling customers preference and cautiously managed its inventories at a healthy level, in particular, minimising its slow-moving items.

The Retail Division generated revenue amounted to approximately RM6.4 million for the Financial Year (2018: RMNil).



# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the Financial Year amounted to approximately RM125.9 million (2018: RM73.6 million), representing an increase of approximately RM52.3 million or 71.1% as compared to 2018.

A majority of the Group's revenue was contributed by the Manufacturing Division, which accounted for approximately 94.9% (2018: 100%) of the total revenue for the Financial Year.

Revenue from the Manufacturing Division increased by approximately RM45.9 million mainly due to additional revenue contributed by the PVC Subsidiaries starting from third quarter of 2019 of approximately RM37.9 million (2018: RMNil) as well as an increase in sales volume for covered elastic yarn and webbing products during the Financial Year as compared to 2018.

During the Financial Year, the Retail Division also contributed revenue of approximately RM6.4 million to the Group (representing 5.1% of the total revenue) (2018: Nil) upon the opening of its first "Philipp Plein" flagship store in Singapore in April 2019.

### Cost of Sales

For the Financial Year, the cost of sales of the Group amounted to approximately RM91.6 million (2018: RM52.2 million), representing an increase of approximately RM39.4 million or 75.5% as compared to 2018. The increase of the cost of sales was in line with the increase in revenue.

### Gross Profit and Gross Profit Margin

For the Financial Year, the Group achieved gross profit of approximately RM34.3 million (2018: RM21.4 million), representing an increase of approximately RM12.9 million or 60.3% as compared to 2018. The gross profit margin of the Group decreased from 29.1% to 27.2% during the Financial Year.

The gross profit margin of the Manufacturing Division decreased from 29.1% to 26.1% during the Financial Year, which was resulted from (i) lower gross profit margin contributed by the PVC Subsidiaries; (ii) an increase in raw material costs of chemical and dye stuff; and (iii) an increase in labour costs as the minimum wages in Malaysia and Vietnam increased from January 2019 onwards. Due to the stiff market competition and the uncertainty in global trade market, the increased costs were unable to be entirely passed on to customers despite the increase in average selling price. However, the management is constantly reviewing the cost structure and negotiating with customers to take any opportunity to improve the sales terms of the Group.

### Other Expenses, net

The significant decrease in other income to a loss of approximately RM45.7 million (2018: income of RM1.2 million) was mainly due to (i) impairment loss on goodwill arising from the Acquisition amounted to approximately RM34.5 million due to the challenging operating environment which the management expects a lower growth in business operations in PRC in 2020; (ii) impairment loss on assets held for sale amounted to approximately RM5.6 million as consideration of the Disposal is lower than the carrying amount of PEWAV (VN); (iii) impairment loss on goodwill arising from the associate, namely Furnitech Components (Vietnam) Co., Ltd., that sells metal components for furniture, amounted to approximately RM3.2 million due to weaker sales performance during the Financial Year; and (iv) fair value change of profit guarantee amounted to approximately RM2.6 million.

### Selling and Distribution Costs

The increase in selling and distribution costs of approximately RM9.2 million was mainly due to the selling and marketing expenses incurred by the Retail Division during the Financial Year. The Retail Division commenced its operation in the second quarter of 2019, and has since then incurred marketing expenses for grand opening events, marketing initiative and promotion events to reach out to potential customers, store staff costs as well as depreciation of right-of-use assets arising from the adoption of IFRS 16 Leases.

# Management Discussion and Analysis

## 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 approximately RM20.1 million (2018: RM15.7 million), representing an increase of approximately RM4.4 million or 28.0% as compared to 2018. The increase was mainly due to (i) the one-off professional fees of approximately RM1.5 million incurred for the Acquisition during the Financial Year; (ii) additional expenses contributed by the Retail Division; (iii) a general increase in salary and additional headcount of managerial directors and staff as well as (iv) additional administrative expenses and headcount arising from the PVC Subsidiaries.

## Loss for the Financial Year

The loss for the Financial Year amounted to approximately RM50.8 million (2018: profit of RM0.9 million), representing a decrease of approximately RM51.7 million as compared to 2018. The loss incurred was mainly due to (i) impairment losses amounted to approximately RM43.3 million on goodwill, assets held for sale and interest on associate; (ii) loss of approximately RM7.7 million from the Retail Division which was still at the start-up stage; (iii) fair value change of profit guarantee amounted to approximately RM2.6 million; and (iv) the one-off professional fees for the Acquisition of approximately RM1.5 million during the Financial Year.

However, the overall decrease in profit was partially offset by the profit contributed by the PVC Subsidiaries. Setting aside the loss incurred by the Retail Division, one-off impairment losses and fair value change of profit guarantee, professional fees and corporate expenses, the Manufacturing Division made a profit of approximately RM7.1 million (2018: RM3.0 million) for 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 ("**HK\$**"), Vietnamese Dong ("**VND**"), Singapore Dollar ("**SGD**") and Renminbi ("**RMB**"), are generally deposited with certain financial institutions such as bank. The Group's borrowings are mainly denominated in USD, RM, VND and SGD.

As at 31 December 2019, the Group's total equity attributable to owners of the Company amounted to approximately RM125.5 million (2018: RM98.7 million).

As at 31 December 2019, the Group's net current assets were approximately RM67.6 million (2018: RM62.2 million) and the Group had cash and cash equivalents of approximately RM13.7 million (2018: RM31.6 million). The Group had bank borrowings of approximately RM11.9 million (2018: RM10.7 million).

The interest rates of the Group's term loans and bank overdraft as at 31 December 2019 and 2018 ranged from 4.72% to 8.89% per annum and 4.97% to 9.04% per annum respectively.

As at 31 December 2019, the Group's current ratio (calculated by dividing current assets by current liabilities as at the end of the year) was approximately 2.4 times (2018: 5.8 times). The Group's gearing ratio (calculated by dividing total bank borrowings by total equity as at the end of the year and then multiplying by 100%) was approximately 9.5% (2018: 10.8%).

# Management Discussion and Analysis

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

Save for the issuance of the Consideration Shares (as defined below) as set out in "**Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures — (a) Acquisition of the PVC Subsidiaries**" below, there has been no material change in the capital structure of the Group during the Financial Year. The share capital of the Company only comprises ordinary shares.

## SIGNIFICANT INVESTMENT HELD BY THE GROUP

As at 31 December 2019, there was no significant investment held by the Group (2018: Nil).

## MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

### (a) Acquisition of the PVC Subsidiaries

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 of the Vendor) for the acquisition of the entire issued share capital of Meinaide Holdings Group Limited (together with its subsidiaries, collectively, the "**PVC Subsidiaries**") (the "**Acquisition**") for the consideration of HK\$140,000,000 (the "**Consideration**"), which was satisfied by the Company by its allotment and issue of 56,000,000 new shares of the Company (the "**Consideration Shares**"), credited as fully paid, at the issue price of HK\$2.50 per Consideration Share to the Vendor upon completion, which took place on 28 June 2019. The Acquisition constituted a major transaction for the Company under Chapter 19 of the GEM Listing Rules. Further details in relation to the Acquisition were disclosed in the announcements of the Company dated 12 March and 28 June 2019, and circular of the Company dated 30 May 2019.

Following the completion of the Acquisition, the PVC Subsidiaries have become direct wholly-owned subsidiaries of the Company and their financial results were consolidated to the Group's consolidated financial statements.

### (b) Disposal of PEWAV (VN)

On 4 October 2019, the Company entered into a term sheet with FOUR K INVESTMENT LIMITED (the "**Purchaser**") for the sale (the "**Disposal**") of Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd ("**PEWAV (VN)**"), a member of the Group principally engaged in the manufacture and sale of narrow elastic fabrics. On 10 January 2020, the Group entered into a capital transfer agreement (the "**Capital Transfer Agreement**") with the Purchaser pursuant to which the Purchaser has conditionally agreed with the Group to (i) acquire the entire registered and paid-in charter capital of USD2,100,000 of PEWAV (VN) and (ii) pay the agreed amount of inter-company loans and debts owed by PEWAV (VN) as at 10 January 2020, being the date of the Capital Transfer Agreement for a total consideration of USD2,945,911 (equivalent to approximately RM12,028,155), subject to and upon the terms and conditions of the Capital Transfer Agreement. The Disposal constituted a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. Further details in relation to the Disposal were disclosed in the announcements of the Company dated 10 January 2020 and 13 February 2020. As at the date of this report, the conditions precedent set out under the Capital Transfer Agreement has not been completed.

### (c) Investment in PMIL by way of subscription by Ignatius

On 8 November 2019, Premier Management International Limited ("**PMIL**"), a wholly owned subsidiary of the Company that holds the Group's interests in the Retail Division, and Ignatius International Private Limited ("**Ignatius**") entered into a subscription agreement whereby PMIL agreed to issue, and Ignatius agreed to subscribe, 35% of the equity interests of PMIL at the subscription price of HK\$12,180,000 (equivalent to approximately RM6,450,000). Further details of the subscription were disclosed in the announcement of the Company dated 8 November 2019. As at the date of this report, the subscription of shares has not been completed.

# Management Discussion and Analysis

## (d) Acquisition of RSI

On 18 December 2019, Rich Day Global Limited, a wholly owned subsidiary of the Company, entered into an agreement with RSI Capital Limited, to acquire the sale shares, representing the entire issued share capital of the RSI Securities Limited (“RSI”) for a total consideration of HK\$8.5 million. RSI is principally engaged in securities broking and brokering introductory service in Hong Kong. Further details of the acquisition of RSI were disclosed in the announcement of the Company dated 17 December 2019. As at the date of this report, the application to Securities and Futures Commission to change the shareholder of RSI is still in process.

Save as disclosed above, the Group does not have any material acquisition and disposal of subsidiaries, associates and joint ventures during the Financial Year.

## PLEDGE OF ASSETS

As at 31 December 2019 and 2018, freehold land, long term leasehold land, buildings and certain plant, machinery, right-of-use assets and time deposits maturing over three months of the Group with carrying amount of RM17.9 million and RM23.7 million 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 this report, the Group does not have other plans for material investments and capital assets for the year ending 31 December 2020 as at the date of this report.

## CONTINGENT LIABILITIES

As at 31 December 2019, the contingent liability of the Group is related to an unsecured corporate guarantee given to a bank for credit facilities granted to an associate of approximately RM2.0 million (As at 31 December 2018: RM2.1 million).

At the end of the Financial Year, the Directors did not consider it probable that a claim would be made against the Group under the above guarantee.

## CAPITAL COMMITMENTS

As at 31 December 2019, there is no capital commitments of the Group related to acquisition of property, plant and equipment (As at 31 December 2018: RM1.7 million).

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group employed 833 employees (2018: 825 employees). The Group had increased its number of employees in 2019 as compared to 2018. Employee costs amounted to approximately RM32.8 million for the Financial Year (2018: approximately RM28.8 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 2019, 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.

# Management Discussion and Analysis

## SHARE OPTION SCHEME

As at 31 December 2019, 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.

## CHANGE IN AUDITORS

With effect from 5 November 2019, BDO Limited ("BDO") has resigned as the Company's auditor and with effect from 25 November 2019, ZHONGHUI ANDA CPA Limited has been appointed to fill the vacancy following the resignation of BDO and to hold office until the conclusion of the coming annual general meeting of the Company.

Save as disclosed above, there is no change in auditors of the Company in the preceding three years.

## SUBSEQUENT EVENTS

On 10 January 2020, the Group entered into the Capital Transfer Agreement with the Purchaser pursuant to which the Purchaser has conditionally agreed with the Group to (i) acquire the entire registered and paid-in charter capital of USD2,100,000 of PEWAV (VN) and (ii) pay the agreed amount of inter-company loans and debts owed by PEWAV (VN) as at 10 January 2020, being the date of the Capital Transfer Agreement for a total consideration of USD2,945,911 (equivalent to approximately RM12,028,155), subject to and upon the terms and conditions of the Capital Transfer Agreement. The Disposal constituted a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. Further details in relation to the Disposal were disclosed in the announcements of the Company dated 10 January 2020 and 13 February 2020.

With effect from 24 January 2020, Mr, Qu Weidong has resigned as an executive Director of the Company. Further details were disclosed in the announcement of the Company dated 24 January 2020.

With effect from 10 March 2020, Dato' Sri Wee Jeck Seng has resigned as the independent non-executive Director, chairman of the remuneration committee and a member of each of the audit committee, nomination committee and risk management committee of the Board due to his recent appointment as the Deputy Minister of Plantation Industries and Commodities of Malaysia, which requires his substantial devotion. Further details were disclosed in the announcement of the Company dated 10 March 2020.

With effect from 25 March 2020, Dato' Lee Chee Leong was appointed as an independent non-executive Director, a member of each of the audit committee, nomination committee and risk management committee, as well as the chairman of the remuneration committee of the Board. Further details were disclosed in the announcement of the Company dated 25 March 2020.

# Management Discussion and Analysis

The outbreak of COVID-19 pandemic is expected to adversely affect the global economy due to lockdowns in various countries, supply chain disruptions and upheavals in the financial markets. The Group's financial performance may be impacted due to disruption of global supply chain, volatility of commodity prices and fluctuation of foreign currencies as large portion of our manufactured products are exported and there are temporary closure of malls during the lockdown and decrease in tourists arrival. Meanwhile, due to the inherent nature and unpredictability of future development of the COVID-19 pandemic and market sentiment, further changes in economic conditions arising thereof may have impact on the financial results of the Group, the extent of which could not be reasonably estimated as at the date of these financial statements. The Group will closely monitor the development of epidemic and assess its impact on the financial position and operating results of the Group.

Other than as disclosed above, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2019 and up to the date of this report.

## COMPARISON OF BUSINESS OBJECTIVES AND STRATEGIES WITH ACTUAL BUSINESS PROGRESS

The principal business objective of the Group as set out in the prospectus (the "**Prospectus**") of the Company dated 29 September 2017 in connection with the listing of the shares of the Company on GEM (the "**Listing**") is to enhance our market share in the elastic textile and webbing industry and continue to strengthen our competitive strengths.

On 17 December 2019, the Board has resolved to change the use of approximately RM7.3 million (equivalent to approximately HK\$13.5 million) out of the unutilised Listing Proceeds (as defined below) amount to approximately RM12.8 million (equivalent to approximately HK\$23.6 million) (the "**Unutilised Listing Proceeds**") for (i) acquiring (the "**Potential Acquisition**") the entire issued shares (the "**Sale Shares**") of RSI Securities Limited (the "**RSI**") at a cash consideration of HK\$8.5 million; and (ii) granting a term loan facility in the amount up to HK\$5.0 million to RSI. Further details in relation to the Potential Acquisition were disclosed in the announcement of the Company dated 17 December 2019.

# Management Discussion and Analysis

An analysis comparing the aforesaid business objectives and the intended application of the net proceeds raised from the share offer in October 2017 (the “**Listing Proceeds**”) with the Group’s actual business progress for the period from the date of the Listing to 31 December 2019 is set out below:

Business strategies	Implementation plans	Sources of funding	Actual business progress up to 31 December 2019
(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 RM10.3 million (equivalent to HK\$18.9 million)	<ul style="list-style-type: none"> <li>— Acquired machineries for narrow elastic fabric, covered elastic yarn and seat belt webbing of RM5.4 million. Further, the Group has also upgraded certain machines for rubber tape, fire protection and lighting system of RM0.4 million.</li> <li>— 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. Hence, on 4 October 2019, the Company announced that it has entered into a term sheet to dispose PEWAV (VN) which is principally engaged in the manufacture and sale of narrow elastic fabrics. In light of the above, the Directors are of the view that portion of the unutilised Listing Proceeds that was initially intended for the use of expanding the production capacity of PEWAV (VN) shall be reallocated to other investment opportunities. Further details in relation to the reallocation were disclosed in the announcement of the Company dated 17 December 2019. Acquisition schedule of certain machines such as weaving, cutting and covering machines was also delayed and will be adjusted by the management of the Group based on market demand and outlook from time to time.</li> <li>— The management constantly monitors the economic 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.</li> </ul>
(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.	Internal resources of the Group	<ul style="list-style-type: none"> <li>— The customer’s priority is for us to focus on supplying seat belt webbing to India to replace part of their imports from South Korea. Since the specification of the new car model is the same as in South Korea, the South Korean safety belt manufacturer will consider sourcing seat belt webbing from the Group in phases after we have fulfilled India’s requirements on replacement of part of their imports from South Korea.</li> </ul>

# Management Discussion and Analysis

Business strategies	Implementation plans	Sources of funding	Actual business progress up to 31 December 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.	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.
(v) Potential acquisition of RSI and granting of the credit facility (Note)	Acquisition of the entire issued shares of RSI; and the Company to grant a term loan facility in the amount up to HK\$5.0 million to the RSI	Listing Proceeds of approximately RM7.3 million (equivalent to HK\$13.5 million)	— As at 31 December 2019, RM3.0 million was paid as deposit for the potential acquisition.

Note: Business strategies undertaken during the Financial Year were not stated in the Prospectus.

Apart from the foregoing business objectives, the Group also ventured into retail business in 2018 and manufacture of PVC related products during the Financial Year. Details of the Group’s segmental performances and business plans are set out in the paragraphs headed “**Business Review**” and “**Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures**” in this section.

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.



# Management Discussion and Analysis

## USE OF PROCEEDS

The Listing Proceeds, 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). The intended application of these proceeds as stated in the Prospectus and their actual application from the date of the Listing up to 31 December 2019 were set out below:

	<b>Planned use of Listing Proceeds as stated in the Prospectus</b>	<b>Reallocation of use of Listing Proceeds on 17 December 2019</b>	<b>After reallocation of use of Listing Proceeds on 17 December 2019</b>	<b>Actual use of Listing Proceeds to 31 December 2019</b>	<b>Unutilised amount as at 31 December 2019</b>
	<i>RM'million</i>	<i>RM'million</i> <i>(Note (a))</i>	<i>RM'million</i>	<i>RM'million</i> <i>(Note (b))</i>	<i>RM'million</i> <i>(Note (c))</i>
Expand our production capacity	17.6	(7.3)	10.3	(5.8)	4.5
Upgrade our information technology systems	1.1	–	1.1	(0.1)	1.0
Funding of our working capital and general corporate purposes	0.6	–	0.6	(0.6)	–
Potential acquisition of RSI and granting of the credit facility	–	7.3	7.3	(3.0)	4.3
	19.3	–	19.3	(9.5)	9.8

### Notes:

- (a) On 17 December 2019, the Board has resolved to change the use of approximately RM7.3 million (equivalent to approximately HK\$13.5 million) out of the Unutilised Listing Proceeds for (i) the Potential Acquisition of the Sale Shares of RSI; and (ii) the Company to grant a term loan facility in the amount up to HK\$5.0 million to RSI.
- (b) 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 2019.
- (c) The unutilised proceeds are deposited in licensed banks.

# Management Discussion and Analysis

## **FUTURE PROSPECTS AND OUTLOOK**

The Manufacturing Division, after having felt the impact from the disruption of supply chain from the shutdown in the PRC due to COVID-19 outbreak, is currently facing a very challenging environment due to the unprecedented various forms of lockdown and movement restrictions order by various countries across the world which has affected consumption severely. The Movement Control Order implemented in Malaysia by the government from 18 March to 12 May 2020, which may be further extended, has also disrupted our operations where our plants are temporary closed because of the Movement Control Order. The low visibility in demand, unresolved trade war, volatility in currency, disruption in global supply chain and the intensifying regional business competition have also made our operating environment extremely challenging. International Monetary Fund also reported that the COVID-19 crisis is the Worst Economic Crisis since the Great Depression that took place in the 1930s. Global economy is expected to be much weaker in 2020 as a result of the outbreak of COVID-19 pandemic.

In view of the rapid change of global economy, the Manufacturing Division has taken steps to review the business strategies, revisit the market demand that is severely impacted by global demand and supply disruption to rationalise the pricing strategies, productivity improvement and cost structure which include overhead costs and expenses to ensure long term sustainability of the businesses. The Group is also constantly reviewing its portfolio and will continue to divest any current non-profitable entity if required to enhance its overall profitability and cash flow. In addition to the above, the Group will also evaluate any opportunities in investing into new potential business that may arise in this crisis.

The retail sector is suffering from further headwinds with the outbreak of COVID-19 pandemic. The visitor arrival numbers and overall consumption have deteriorated, and the retail outlook is expected to be extremely challenging. The situation has worsened since the announcement of circuit breaker period by Singapore government from 7 April to 1 June 2020 and declaration of soft lockdown by Thailand government on 24 March 2020. During the current adverse climate, the Retail Division has negotiated with landlords for rental concessions, shorten store operational hours, more marketing support for both retailer-driven promotions and mall-wide marketing initiatives. The Group hopes that with the holistic support from landlords as well as from the principal of Philipp Plein, exploring different sales channels such as digital retailing and social medias as well as cost-saving strategies would assist the Retail Division to overcome this challenging time.

# Directors and Senior Management

## CHAIRMAN AND NON-EXECUTIVE DIRECTOR

**Dato' Lim Heen Peok ("Dato' Lim")**, aged 71, 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 (" <b>PRG Holdings</b> "))
Roles and responsibilities within the Group	:	Giving guidance on the long term strategic planning of the Group
Position held in other members of the Group	:	None
Directorship in public companies	:	An independent non-executive chairman of PRG Holdings, the controlling shareholder of the Company (" <b>Controlling Shareholder</b> "), 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:
		<ul style="list-style-type: none"><li>• Director, Otomobil Sejahtera Sdn. Bhd. (1988–1999)</li><li>• Director, KYB — UMW Malaysia Sdn. Bhd. (1988–2004)</li><li>• Director, UMW Toyota Motor Sdn. Bhd. (1998–2004)</li><li>• Director, Seat Industries (Malaysia) Sdn. Bhd. (1988–2004)</li><li>• Director, Assembly Services Sdn. Bhd. (1988–2004)</li><li>• Director (appointed as the chairman in March 2004), Automotive Industries Sdn. Bhd. (1988–2004)</li><li>• Director (appointed as the chairman in November 1990), JTEKT Automative (Malaysia) Sdn. Bhd. (formerly known as T&amp;K Autoparts Sdn. Bhd.) (1990–2004)</li><li>• Director, Toyota Capital Malaysia Sdn. Bhd. (2002–2004)</li><li>• Director (appointed as the chairman in November 2003), Toyota Boshoku UMW Sdn. Bhd. (2003–2004)</li><li>• Independent non-executive Director, Alliance Bank Malaysia Berhad (2005–2008)</li></ul>

# Directors and Senior Management

	<ul style="list-style-type: none"><li>• Director, PROTON Holdings Berhad (2006–2012)</li><li>• Director, Liberty Insurance Berhad (since 2016)</li><li>• Director, Assunta Hospital (since August 2019–Present)</li></ul>
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

## NON-EXECUTIVE DIRECTOR

**Mr. Yang Guan (“Mr. Yang”)**, aged 35, 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 73, 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 and business development of the Group
	:	Overseeing operational management of the Manufacturing Division (Malaysian and Vietnam)
	:	Overseeing the compliance of the internal policies and legal requirements of the Manufacturing Division (Malaysian and Vietnam)
	:	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. (" <b>WTSB (MY)</b> ")
	:	Director, Furniweb Manufacturing Sdn. Bhd. (" <b>FMSB (MY)</b> ")
	:	Director, Texstrip Manufacturing Sdn. Bhd. (" <b>TMSB (MY)</b> ")
	:	Director, Syarikat Sri Kepong Sdn. Bhd. (" <b>SSKSB (MY)</b> ")
	:	Director, Furniweb Safety Webbing Sdn. Bhd. (" <b>FSWSB (MY)</b> ")
	:	Chairman of board of management, Furniweb (Vietnam) Shareholding Company (" <b>FVSC (VN)</b> ")
	:	Director, TS Meditape Sdn. Bhd. (" <b>TSMSB (MY)</b> ")
	:	Director, FIPB International Limited (" <b>FIPB</b> ")
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

# Directors and Senior Management

Experience	:	More than 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

## EXECUTIVE DIRECTOR

**Dato' Lua Choon Hann ("Dato' Lua")**, aged 43, 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	:	Overseeing strategic planning and business development of the Group
	:	Overseeing operational management of the Manufacturing Division (China) and the Retail Division
	:	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), PP Retail Pte. Ltd., Premier Management International Limited, Delightful Grace Holdings Limited, Fly High Finance Limited, and Rich Day Global Limited
Directorship in public companies	:	An executive director of PRG Holdings, the Controlling Shareholder, from 1 November 2013, was redesignated as group managing director on 11 April 2016, and was redesignated as group executive vice chairman on 1 May 2019
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

# Directors and Senior Management

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)
	:	An independent non-executive director of Pelikan International Corporation Bhd., a company whose shares are listed on Bursa Malaysia Securities Berhad (April 2013–September 2019)

**Mr. Cheah Hannon (“Mr. Hannon”)**, aged 48, executive Director.

The biography of Mr. Hannon is summarised as follows:

Date of joining the Group	:	November 2019
Roles and responsibilities within the Group	:	Monitoring and implementing strategic planning, business development and operational management (other than the Manufacturing and the Retail Division) of the Group
Position held in other members of the Group	:	None
Directorship in public companies	:	An independent non-executive director of G Neptune Berhad, a company whose shares are listed on Bursa Malaysia Securities Berhad
	:	An independent non-executive director of Minetech Resources Berhad, a company whose shares are listed on Bursa Malaysia Securities Berhad
Experience	:	Associate Director of Equity Sales, UOB Kay Hian Securities Singapore (1999–2004)
	:	Assistant General Manager of Equity Sales, RHB Securities (2004–2008)
	:	Associate Director of Institutional Sales, Ambank Securities (2008–2009)
	:	Director of Corporate Finance, Amanie Corporate Advisors (2012–2016)
	:	Director of Corporate Affairs, PRG Holdings (2016–present)
Other qualifications and major appointments	:	Obtained Bachelor of Science from Purdue University in May 1995

# Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Ho Ming Hon (“Mr. Ho”)**, aged 44, 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 “ <b>Audit Committee</b> ”) 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	:	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. (“ <b>Pelikan International</b> ”) 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 57, 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)

# Directors and Senior Management

- : 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)

**Dato' Lee Chee Leong ("Dato' Lee")**, aged 62, independent non-executive Director.

The biography of Dato' Lee is summarised as follows:

- Date of joining the Group : 25 March 2020
- 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 nomination committee and the risk management committee of the Board on 25 March 2020
- Directorship in public companies : None
- Experience :
  - : Held a long and distinguished career in politics in Malaysia and is a member of the Malaysian Chinese Association
  - : Served as State Assemblyman for Tualang, Perak from 1990 to 1995, and as State Assemblyman for Malim Nawar from 1995 to 2008
- Other qualifications and major appointments :
  - : Obtained Bachelor of Arts majoring in accounting and finance from Bristol Polytechnic (with honours) in England in 1981
  - : Member of the Youth Central Committee in 1996
  - : Kampar Division Chairman (2005)
  - : Perak State Liaison Vice Chairman (2005)
  - : Perak State Liaison secretary and central committee member (2008)
  - : Presidential council member and central committee member (2009–2013)
  - : Vice president and Kedah State liaison chairman (2013–2018)
  - : Treasurer and Kampar division chairman (2018–present)

# Directors and Senior Management

## SENIOR MANAGEMENT

**Mr. Lee Sim Hak (“Mr. Lee”)**, aged 66, 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 within the Manufacturing Division (Malaysian and Vietnam)
	:	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)
Directorship in public companies	:	Executive director of PRG Holdings, the Controlling Shareholder from 21 July 2003 to 23 June 2016
Experience	:	Almost 30 years of experience in the textile and furniture webbing industries
	:	Being in charge of the production and operation management of the Group
Other qualifications and major appointments	:	Obtained Diploma in Textile Engineering from Feng Chia College of Engineering and Business in Taiwan in September 1976

**Mr. Ong Lock Hoo (“Mr. Ong”)**, aged 68, 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 sales and marketing operations for the Manufacturing Division (Malaysian and Vietnam)
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)
Directorship in public companies	:	Executive director of PRG Holdings, the Controlling Shareholder from 21 July 2003 to 23 June 2016

# Directors and Senior Management

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

## CHIEF OPERATING OFFICER

**Mr. Tan Chuan Dyi (“Mr. Tan”)**, aged 47, chief operating officer.

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 Manufacturing Division (Malaysian and Vietnam)
Position held in other members of the Group	:	Director, FMSB (MY), FSWSB (MY), TSMSB (MY), TMSB (MY), WTSB (MY), and FIPB
Directorship in public companies	:	An independent non-executive director of Naim Holdings Berhad, a company whose shares are listed on Bursa Malaysia Securities Berhad
		An executive director of the Company. He resigned from such directorship on 6 November 2019.
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

**Ms. Ho Phei Suan (“Ms. Ho”)**, aged 40, 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	:	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 and its ordinary shares in issue have been listed on the GEM since 16 October 2017 (the “**Listing Date**”).

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

## **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The Group is principally a manufacturer of elastic textile, webbings products and Polyvinyl Chloride (“**PVC**”) related products, and retail business. The principal activities of the subsidiaries are set out in Note 35 to the consolidated financial statements of this report.

## **FINANCIAL RESULTS**

The results of the Group for the Financial Year and the financial position of the Group as at 31 December 2019 are set forth in the consolidated financial statements on pages 69 to 72 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 five financial years, as extracted from the published consolidated financial statements or the Prospectus of the Company is set out on page 142 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 31 to the consolidated financial statements.

# Report of the Directors

## 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 73 and page 132 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 2019, the Company's reserves available for distribution amounted to RM95.2 million (2018: RM62.7 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;

# Report of the Directors

- (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.



# Report of the Directors

## **(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 2019, 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 less than 30% of the Group's total cost of sales.

During the Financial Year, the five largest customers of the Group accounted for less than 30% of the Group's 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 57 to 65 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**

For the Manufacturing Division, 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, health care industries and PVC related products. 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 outbreak of the novel coronavirus (COVID-19) has adversely affect the global supply chain. The uncertainty of the global economies, unresolved trade war, volatility in currency, disruption of global supply chain, and the intensifying regional business competition have made our operating environment very challenging.

# Report of the Directors

For the Retail Division, our products are typically used to serve our end customers which are mainly domestic customers and tourists. The performance and growth of such industries depends, to a certain extent, on the consumer spending power, which is based on Gross Domestic Product growth, consumer sentiment, domestic consumption patterns and growth of tourist arrivals. The Retail Division is suffering from further headwinds with the outbreak of the COVID-19. As the visitor arrivals and overall consumption have deteriorated, the retail outlook is expected to be extremely challenging in year 2020.

## **2. Risks relating to conducting business in Malaysia, Vietnam, Singapore, Hong Kong and People's Republic of China ("PRC")**

All of our operating assets are situated in Malaysia, Vietnam, Singapore, Hong Kong and PRC. 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 local governments and authorities. 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 licenses**

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 license and various licenses, 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 and PRC, we are required to maintain various approvals, licenses and permits in order to operate our manufacturing business in both countries. Most of these licenses 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 foreign labour supply**

The supply of foreign workers in Malaysia are subject to the policies of the Malaysian governments. Any future changes to employment policies, visa restrictions and reductions in work permit quotas may impact the supply of foreign workers in Malaysia. 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.

# Report of the Directors

## 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, Hong Kong, Singapore and PRC and all applicable regulations, guidelines, policies and license 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 complied 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

For the Manufacturing Division, 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.

For the Retail Division, the Group procures the merchandisers from the sole brand owner.

### 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. For the Manufacturing Division, 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.

Whereas for the Retail Division, the Group not only sells to customers, but is also committed to provide quality customer services and exclusive shopping experience to customers.

# Report of the Directors

## DIRECTORS

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

### Chairman and Non-Executive Director

Dato' Lim Heen Peok

### Non-Executive Director

Mr. Yang Guang

### Executive Directors

Mr. Cheah Eng Chuan (*Chief Executive Officer*)

Dato' Lua Choon Hann

Mr. Cheah Hannon

(appointed on 6 November 2019)

Mr. Tan Chuan Dyi (*Chief Operating Officer*)

(resigned on 6 November 2019)

Mr. Qu Weidong

(appointed on 25 April 2019 and resigned on 24 January 2020)

### Independent Non-Executive Directors

Mr. Ho Ming Hon

Dato' Sri Dr. Hou Kok Chung

Dato' Lee Chee Leong

(appointed on 25 March 2020)

Dato' Sri Wee Jeck Seng

(resigned on 10 March 2020)

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

By virtue of article 105 (A) of Articles of Association, Dato' Lim Heen Peok, Dato' Sri Dr. Hou Kok Chung and Dato' Lua Choon Hann will each retire and all being eligible, offer themselves for re-election at AGM.

By virtue of article 109 of Articles of Association, Mr. Cheah Hannon being appointed on 6 November 2019 and Dato' Lee Chee Leong being appointed on 25 March 2020 as additional Directors to the Board by the Directors of the Company shall only hold office until the forthcoming AGM of the Company. Mr. Cheah Hannon and Dato' Lee Chee Leong, being eligible, will offer themselves 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, subject to review by the Board and upon the recommendation of its remuneration committee, may be renewable for successive terms of one year each 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).

# Report of the Directors

## **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 2019, 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.

# Report of the Directors

\* 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 (as defined under the GEM Listing Rules) (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 has 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 the 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; and

# Report of the Directors

- (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 OF INTEREST

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SECURITIES OF THE COMPANY AND/OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, 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 Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO") held by the Directors and chief executive of the Company as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise 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 of securities (Note 2)	Approximate percentage of shareholding (Note 4)
Dato' Lim Heen Peok	PRG Holdings (Note 1)	Beneficial owner	108,800 shares of RM0.25 each (L)	0.03%
Dato' Lua Choon Hann	PRG Holdings (Note 1)	Beneficial owner	74,861,900 shares of RM0.25 each (L)	18.56%
		Interest of spouse	300,000 shares of RM0.25 (L) (Note 3)	0.07%

Notes:

1. PRG Holdings is the holding company and the associated corporation of the Company within the meaning under Part XV of the SFO.
2. The letter "L" denotes the long position of the Director in the shares in PRG Holdings.
3. Dato' Lua Choon Hann was deemed to be interested in the shares in PRG Holdings held directly by his spouse (and vice versa) under Part XV of the SFO.
4. The percentage of shareholding is calculated on the basis of 403,300,521 shares of RM0.25 each in PRG Holdings in issue as at 31 December 2019.

# Report of the Directors

Save as disclosed above, 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 at 31 December 2019.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 31 December 2019, so far as are known to the Directors, the following persons (other than the Directors or chief executive of the Company) were recorded in the register kept by the Company under Section 336 of the SFO; or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

### Interests and short positions in the ordinary shares of HK\$0.10 each in the Company (the "Shares")

Name of Shareholder	Capacity/Nature of interest	Number of securities (Note 1)	Approximate percentage of shareholding (Note 6)
PRG Holdings (Notes 2 and 3)	Beneficial owner	303,468,000 Shares (L)	54.19%
Tang Ka Ho	Security interest	259,880,000 Shares (L) (Note 4)	46.41%
Golden World Consultants Limited	Security interest	257,040,000 Shares (L) (Note 4)	45.90%
Jim Ka Man	Beneficial owner	56,000,000 (L) (Note 5)	10.00%

#### Notes:

1. The letter "L" denotes the person's long position in the shares.
2. PRG Holdings is a company incorporated in Malaysia and whose issued shares are listed on the Main Market of Bursa Malaysia Securities Berhad. According to the disclosure of interests filed by PRG Holdings, PRG Holdings provided an interest in 257,040,000 Shares as security to a person other than a qualified lender on 24 July 2019.
3. Dato' Lua Choon Hann, an executive Director, is the group executive vice chairman of PRG Holdings.
4. According to the disclosures of interest respectively filed by Golden World Consultants Limited ("**Golden World**") (which is wholly owned or controlled by Tang Ka Ho) and Tang Ka Ho, Golden World had acquired a security interest over 257,040,000 Shares on 24 July 2019. Tang Ka Ho, who beneficially held 2,840,000 Shares, became interested and/or was deemed to be interested (by virtue of his controlling interest in Golden World), in aggregate, in 259,880,000 Shares under Part XV of the SFO.
5. According to the disclosure of interest filed by Jim Ka Man, pursuant to the S&P Agreement entered into among the Company, Triumph Star Global Limited and herself for the Acquisition, 56,000,000 shares of the Company (as Consideration Shares) were issued to Triumph Star Global Limited. Jim Ka Man, who is the ultimate beneficial owner interested in 85% equity interest of Triumph Star Global Limited, became interested and/or was deemed to be interested (by virtue of his controlling interest in Triumph Star Global Limited) in 56,000,000 Shares under Part XV of the SFO.
6. The percentage of shareholding is calculated on the basis of 560,000,000 Shares in issue of the Company as at 31 December 2019.



# Report of the Directors

## 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 ("**Shenwan Hongyuan Capital**") as its compliance adviser (the "**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 2019, 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 subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

As disclosed in the Company's announcement dated 3 January 2020, the Company and Shenwan Hongyuan Capital have mutually agreed to terminate the compliance adviser's agreement with effect from 5 January 2020. Sunfund Capital Limited was appointed as the new compliance adviser with effect from 6 January 2020.

## 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.

Following the resignation of Dato' Sri Wee Jeck Seng on 10 March 2020, the vacancy in the Audit Committee was filled by Dato' Lee Chee Leong after his appointment on 25 March 2020.

The Audit Committee currently comprises of three independent non-executive Directors, namely, Mr. Ho Ming Hon, Dato' Sri Dr. Hou Kok Chung and Dato' Lee Chee Leong. 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.

# Report of the Directors

## RELATED PARTY TRANSACTIONS

Related party transactions of the Group during the Financial Year are disclosed in Note 37 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 37 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

Other than as disclosed in “**Management Discussion and Analysis — Subsequent Events**”, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2019 and up to the date of this report.

## ANNUAL GENERAL MEETING

It is proposed that the forthcoming AGM will be held on Wednesday, 24 June 2020. 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, 19 June 2020 to Wednesday, 24 June 2020, 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Thursday, 18 June 2020.

## INDEPENDENT AUDITOR

ZHONGHUI ANDA CPA Limited, was appointed as the independent auditor of the Company to fill the casual vacancy arising from the resignation of BDO Limited with effect from 5 November 2019 and to hold office until the conclusion of the forthcoming AGM.

The consolidated financial statements for the Financial Year were audited by ZHONGHUI ANDA CPA Limited, 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 ZHONGHUI ANDA CPA 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, 6 May 2020

# 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.

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

The Directors who held office during the year ended 31 December 2019 and as at the date of this report are as follows:

#### **Non-Executive Directors**

Dato' Lim Heen Peok (*Chairman*)

Mr. Yang Guang

#### **Executive Directors**

Mr. Cheah Eng Chuan (*Chief Executive Officer*)

Dato' Lua Choon Hann

Mr. Cheah Hannon

(appointed on 6 November 2019)

Mr. Tan Chuan Dyi (*Chief operating Officer*)

(resigned on 6 November 2019)

Mr. Qu Weidong

(appointed on 25 April 2019 and resigned on 24 January 2020)

#### **Independent Non-Executive Directors**

Mr. Ho Ming Hon

Dato' Sri Dr. Hou Kok Chung

Dato' Lee Chee Leong

(appointed on 25 March 2020)

Dato' Sri Wee Jeck Seng

(resigned on 10 March 2020)

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

# Corporate Governance 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.

# Corporate Governance Report

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 requirement within 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.

# Corporate Governance Report

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, six Board meetings were held and an AGM of the Company was held on 19 June 2019 (the "2019 AGM"). The attendance of each Director at the Board meetings and 2019 AGM is set out as follows:

Name of Director	Number of attendance/ Number of meetings	
	Board Meeting	2019 AGM
Dato' Lim Heen Peok	6/6	1/1
Mr. Yang Guang	5/6	0/1
Mr. Cheah Eng Chuan ( <i>Chief Executive Officer</i> )	4/6	0/1
Mr. Tan Chuan Dyi ( <i>Chief Operating Officer</i> )	6/6	1/1
Dato' Lua Choon Hann	6/6	1/1
Mr. Qu Weidong <sup>(Note 1)</sup>	4/4 <sup>(Note 1)</sup>	1/1
Mr. Cheah Hannon <sup>(Note 2)</sup>	N/A <sup>(Note 2)</sup>	N/A <sup>(Note 2)</sup>
Mr. Ho Ming Hon	6/6	1/1
Dato' Sri Dr. Hou Kok Chung	6/6	1/1
Dato' Sri Wee Jeck Seng	5/6	1/1

#### Notes:

1. Mr. Qu Weidong was appointed on 25 April 2019, only four board meetings were held since then.
2. Mr. Cheah Hannon was appointed on 6 November 2019, no 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. Cheah Hannon, 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.

# Corporate Governance Report

## 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](http://www.hkexnews.hk) and the Company's website at [www.furniweb.com.my](http://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.

Following the resignation of Dato' Sri Wee Jeck Seng on 10 March 2020, and the appointment of Dato' Lee Chee Leong on 25 March 2020, the Audit Committee currently comprises of three independent non-executive Directors, namely, Mr. Ho Ming Hon, Dato' Sri Dr. Hou Kok Chung and Dato' Lee Chee Leong. Mr. Ho Ming Hon is the chairman of the Audit Committee.

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	3/4

The summary of work of the Audit Committee during the Financial Year is as follows:

- reviewed the Company's quarterly and interim results announcement and report, annual results and the annual reports and made recommendations for the Board's approval;
- recommended the re-appointment of BDO Limited ("**BDO**") as auditors, subject to the shareholders' approval at the AGM;
- made recommendation to the Board on the appointment of ZHONGHUI ANDA CPA Limited as auditors to fill the casual vacancy arising from the resignation of BDO;
- reviewed audit fee proposals the audit planning for the year ended 31 December 2019; and
- reviewed the effectiveness of the Group's internal control and risk management systems.

# Corporate Governance Report

## 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.

Following the resignation of Dato' Sri Wee Jeck Seng on 10 March 2020, and the appointment of Dato' Lee Chee Leong on 25 March 2020, the nomination committee currently comprises of three independent non-executive Directors, namely, Dato' Sri Dr. Hou Kok Chung, Mr. Ho Ming Hon and Dato' Lee Chee Leong, 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:

<b>Name of Director</b>	<b>Number of attendance/ Number of meetings</b>
Dato' Sri Dr. Hou Kok Chung	2/2
Mr. Ho Ming Hon	2/2
Dato' Sri Wee Jeck Seng	1/2
Mr. Cheah Eng Chuan	1/2

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.



# Corporate Governance Report

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.

# Corporate Governance Report

## 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.

# Corporate Governance Report

The summary of work of nomination committee during the Financial Year is as follows:

- reviewed the structure, size and composition of the Board;
- assessed the independence of the independent non-executive directors;
- reviewed the board diversity policy;
- made recommendation to the Board for consideration the re-appointment of all the retiring Directors at the AGM;
- in accordance to the selection process, selection criteria, assessment process and nomination procedures stipulated in the nomination policy set out above, reviewed and assessed the suitability of the proposed appointment of Mr. Qu Weidong as a non-executive Director and Mr. Cheah Hannon as an executive Director of the Company, and recommended the appointment to the Board for approval; and
- Reviewed the re-appointment of non-executive directors for another 2 years term and made recommendation to 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.

Following the resignation of Dato' Sri Wee Jeck Seng on 10 March 2020, and the appointment of Dato' Lee Chee Leong on 25 March 2020, the remuneration committee currently comprises of three independent non-executive Directors, namely, Dato' Lee Chee Leong, Mr. Ho Ming Hon and Dato' Sri Dr. Hou Kok Chung, and one executive Director, Dato' Lua Choon Hann. Dato' Lee Chee Leong is the chairman of the remuneration committee.

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

<b>Name of Director</b>	<b>Number of attendance/ Number of meetings</b>
Dato' Sri Wee Jeck Seng	2/3
Mr. Ho Ming Hon	3/3
Dato' Sri Dr. Hou Kok Chung	3/3
Dato' Lua Choon Hann	3/3

# Corporate Governance Report

The summary of work of remuneration committee during the Financial Year is as follows:

- reviewed and recommended to the Board on the directors' remuneration policy and structure;
- reviewed the remuneration packages and bonuses of the Directors and senior management and made recommendation to Board for approval; and
- reviewed and recommended to the Board on the directors' fee of non-executive 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.

Following (i) the resignation of Mr. Tan Chuan Dyi and the appointment of Mr. Cheach Hannon on 6 November 2019 and (ii) the resignation of Dato' Sri Wee Heck Seng on 10 March 2020 and the appointment of Dato' Lee Chee Leong on 25 March 2020, the risk management committee, as at the date of this report, comprises of two independent non-executive Directors, namely, Mr. Ho Ming Hon and Dato' Lee Chee Leong, and one executive Director, Mr. Cheach Hannon.

During the Financial Year, four 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	4/4
Dato' Sri Wee Jeck Seng	3/4
Mr. Tan Chuan Dyi	4/4
Mr. Cheach Hannon	N/A <sup>(Note)</sup>

Note: Mr. Cheach Hannon was appointed on 6 November 2019, no meeting was held since then.

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:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

# 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, ZHONGHUI ANDA CPA Limited, is set out in the section headed "**Independent Auditor's Report**" on pages 66 to 68 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:

	<b>Number of individuals</b>
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, ZHONGHUI ANDA CPA Limited ("**ZHONGHUI**") and other member firm of ZHONGHUI (for the period from 25 November 2019 to 31 December 2019), and other member firms of BDO (for the period from 1 January 2019 to 5 November 2019) were engaged as the Group's independent auditors.

The remunerations paid or payable to ZHONGHUI and BDO for the services rendered for the Financial Year were as follows:

<b>Category of services</b>	<b>Amount</b> <i>(RM'000)</i>
Audit services — Annual audit	
— ZHONGHUI	398
— BDO	118
Non-audit services — Due diligence work in relation to the acquisition of Meinaide Holdings Group Limited	
— ZHONGHUI	328

# Corporate Governance Report

## COMPANY SECRETARY

Sir Kwok Siu Man KR (“**Sir Seaman Kwok**”) was appointed as the Company Secretary on 22 March 2017. Sir Seaman Kwok is a fellow member of each of the Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in England (“**CGI**”), the Institute of Public Accountants in Australia, The Institute of Financial Accountants in England, the Institute of Public Accountants in Australia, The Hong Kong Institute of Chartered Secretaries (the “**HKICS**”), The Association of Hong Kong Accountants and The Hong Kong Institute of Directors, a Chartered Governance Professional of both the CGI 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 (with credit) 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 as well as a chief examiner of the international qualifying examinations and the youngest and the longest-serving elected council member of the HKICS. He was conferred as a Knight of Rizal of the Philippines in mid-June 2019. Sir Seaman Kwok 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. He has over 30 years’ corporate secretarial, legal and management experience and was the youngest company secretary of all the Hong Kong Hang Seng Index Constituent stock companies and the managing director of a top-notch financial printer in Hong Kong with international affiliation. Immediately following the appointment of Mr. Au Yeung (as defined below) as a Joint Company Secretary, Sir Seaman Kwok 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.

# Corporate Governance Report

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 54, 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

# Corporate Governance Report

## 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 2019, 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.

As disclosed in the Company’s announcement dated 3 January 2020, the compliance adviser agreement with Shenwan Hongyuan Capital was terminated with effect from 5 January 2020. Sunfund Capital Limited was appointed as the new compliance adviser with effect from 6 January 2020.

## 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. It should be acknowledged that the internal control systems in place are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement of loss.

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. Cheah Hannon, our 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, financial reporting compliance and other material internal control defects, Mr. Cheah Hannon 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.



# Corporate Governance Report

## 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.

# Corporate Governance Report

## **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](http://www.furniweb.com.my).

## **CONSTITUTIONAL DOCUMENTS**

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

# Environmental, Social & Governance Report

## 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. The Group has complied with the “**comply or explain**” provisions set out in the ESG Reporting Guide for 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.

## MATERIALITY ASSESSMENT

As the Manufacturing Division accounted for the largest portion of the Group’s turnover, this ESG report would primarily focus on the Group’s business and operations in the Manufacturing Division. Nevertheless, we will prepare a useful ESG report on the Retail Division where its business and operations become significant to the Group.

## 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	<ul style="list-style-type: none"><li>• Circulation of internal memos</li><li>• Email communications</li><li>• Employee engagement activities</li><li>• Team building activities</li></ul>
Customers	<ul style="list-style-type: none"><li>• Official website</li><li>• Launches/Marketing events</li><li>• Dedicated phone line to liaise with sales &amp; marketing team of the Company</li></ul>
Regulatory authorities	<ul style="list-style-type: none"><li>• Dialogues with authorities</li><li>• Workshops &amp; trainings organised by the relevant regulatory authorities</li></ul>
Shareholders and investors	<ul style="list-style-type: none"><li>• Annual, interim and quarterly reports</li><li>• Annual, interim and quarterly results announcements</li><li>• Website (investor relations)</li><li>• Press release &amp; coverage</li></ul>
Vendors/suppliers	<ul style="list-style-type: none"><li>• Negotiations with vendors/suppliers</li><li>• Supplier periodical performance evaluation</li><li>• New vendor evaluation &amp; registration</li></ul>

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

# Environmental, Social & Governance Report

## ENVIRONMENTAL

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

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

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

### Emission

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

Emission category	Item	Unit	Amount 2019	Intensity (per tonne production volume) 2019
GHG	Scope 1 (Direct Emission)	tonnes CO <sub>2e</sub>	<b>1,174</b>	<b>0.14</b>
	Scope 2 (Energy Indirect Emission)	tonnes CO <sub>2e</sub>	<b>5,397</b>	<b>0.66</b>
	Total (Scope 1 & 2)	tonnes CO <sub>2e</sub>	<b>6,571</b>	<b>0.80</b>
Hazardous waste	Industrial wastage	tonnes	<b>71</b>	<b>0.01</b>
Non-hazardous waste	Wastewater	M <sup>3</sup>	<b>61,836</b>	<b>7.56</b>
	Solid wastage	tonnes	<b>184</b>	<b>0.02</b>

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

Following the completion of the acquisition of the PVC Subsidiaries, the data of the PVC Subsidiaries was included in the above KPI.

Due to the above, the total emission of Scope 1 & 2 GHG was approximately higher by 621 tonnes CO<sub>2e</sub> as compared to 2018, however, the intensity was lower by 0.6 per tonne production volume due to higher production volume. For the hazardous industrial waste, the total emission also increased by 30 tonnes after inclusion of the data from PVC Subsidiaries.

# Environmental, Social & Governance Report

The non-hazardous wastewater produced decreased from 96,650 M<sup>3</sup> to 61,836 M<sup>3</sup>, intensity decreased from 22.68 per tonne production volume to 7.56 per tonne production volume, mainly due to lower production volume for narrow elastic products, resulted from the disposal of PEWAV (VN) subsequent to the end of the Financial Year, details of which are disclosed on page 9 of this report.

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 2019	Intensity (per tonne production volume) 2019
Energy	Electricity	kWh'000	7,633	0.93
Water	Water	M <sup>3</sup>	142,789	17.46
Paper	Office paper	tonnes	3.4	0
Packaging materials	Paper, box carton, plastic	tonnes	264	0.03

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

# Environmental, Social & Governance Report

## **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. In the previous financial year, we have replaced the traditional light bulbs with electricity-savings light bulbs at our office and helped reduce energy consumption in 2019.

In addition, the Group has encouraged employees to use electricity efficiently and our lights would be switched off during lunch and after normal working hours. Employees are encouraged to turn off idle machines and office equipment when they are not in use. The temperature of the office will maintain between 24°C and 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.

Following the completion of the Acquisition, the electricity consumption has increased by 963,000 kWh.

## **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.

The water consumption was lower by 29,000 M<sup>3</sup>, due to decrease in production volume for narrow elastic products attributable to the disposal of PEWAV (VN) subsequent to the end of the Financial Year, details of which are disclosed on page 9 of this report.

## **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 addition, we encourage employees to use double side printing and reuse paper on one side to reduce paper. We notify employees for any announcement or information through emails. With these approaches, we have reduced 6.4% of the paper consumption in 2019 as compared to 2018.

# Environmental, Social & Governance Report

## **Packaging materials**

The Group uses carton box, paper and plastic as packaging material. Packaging material consumption has decreased by 29.6% in 2019 as compared to 2018, which was mainly due to the decreased in sales volume for certain products that require more packaging materials consumption. However, the Group adopted the 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 activities 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 was carried out on the wastewater, steam emission from boiler to ensure the Group's operation does not have negative impact to surrounding environment and in compliance with local government standards. Routine inspection on the machineries to minimise the breakdown of machineries, in order to reduce production wastage and consumption of electricity.

Apart from the above, we employ multiple ways to reduce GHG. 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.

### **Ratio**

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.

# Environmental, Social & Governance Report

As at 31 December 2019, the Group employed 819 full-time manufacturing employees (31 December 2018: 825). All employees were aged 18 or above, which 27.1%, 68.9% and 4.0% based in Malaysia, Vietnam and the PRC respectively.

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.

The Group also provides the employees with proper personal protective equipment to prevent potential accidents at work and to minimise the impact of occupational hazards on the health of the employees at every job position. The Group provides supplies to the employees, where applicable, including but not limited to: ear plugs, goggles, dust respirators, masks, rubber gloves, boots, insulated shoes, safety belts, etc.

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.

During the Financial Year, there was no work-days lost or serious work injury case and no work-related fatality was recorded. The Group has always put emphasis on the assessment of potential hazards in the plant, and according to the results of the assessment of safety executives, training to enhance occupational health and safety has been strengthened, thereby enhancing the safety awareness and operational skills of employees. The Group has stepped up training for all employees, in particular for the training of the new employees who may lack the awareness of occupational health and safety as well as experience, in order to minimise cases of work injuries.

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, Vietnam and China, 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.



# Environmental, Social & Governance Report

## 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. Moreover, the Group's guidelines are established to assess the performance of employees so as to identify and implement development programs for employees. These include:

- briefing for new employees to familiarise with the company environment and departmental requirements;
- first aid training for proper and effective way to handle accidents related to injured employees at work, as well as to strengthen occupational health and safety to prevent unexpected occupational diseases or viruses;
- fire-fighting protection training to enhance the awareness of fire prevention, and fire drill in a proper and effective manner;
- on-the-job trainings based on the needs of respective positions and talents and interests of employees to enhance the employees' work skills and techniques in term of technical and management skills; and
- internal and external trainings for employees, including specialised trainings such as ISO trainings, tax and financial trainings, management trainings as well as soft skills trainings.

## 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.

# Environmental, Social & Governance Report

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

# Environmental, Social & Governance Report

## ANTI-CORRUPTION

The Group has established anti-corruption policies, regulations and provision related to employees, contractors and suppliers of 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 disabled or orphan children. 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 (collectively referred to as the “**Group**”) set out on pages 69 to 141, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2019, 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 judgment, 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.

#### Goodwill

*Refer to Note 18 to the consolidated financial statements*

The Group is required to annually test the amount of goodwill for impairment. This annual impairment test is significant to our audit because the balance of goodwill of RM27,980,000 as at 31 December 2019 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates. An impairment loss on goodwill of approximately RM34,498,000 was recognised for in the consolidated financial statements for the year ended 31 December 2019.

Our audit procedures included, among others:

- Assessing the identification of the related cash generating units;
- Assessing the arithmetical accuracy of the value-in-use calculations;
- Comparing the actual cash flows with the cash flow projections;

# Independent Auditor's Report

## KEY AUDIT MATTERS *(Continued)*

### Goodwill *(Continued)*

Refer to Note 18 to the consolidated financial statements *(Continued)*

- Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates);
- Assessing the reasonableness of the discount rate prepared by the Group's valuer;
- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence;
- Checking arithmetical accuracy of the valuation model; and
- Checking input data to supporting evidence.

We consider that the Group's impairment test for goodwill is supported by the available and necessary evidence.

### Trade and other receivables

Refer to Note 21 to the consolidated financial statements

The Group tested the amount of trade and other receivables for impairment. This impairment test is significant to our audit because the balance of trade and other receivables of RM54,479,000 as at 31 December 2019 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers;
- Assessing the Group's relationship and transaction history with the customers;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Assessing creditworthiness of the customers;
- Checking subsequent settlements from the customers;
- Assessing the value of the collateral for the debts; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade and other receivables is supported by the available and necessary evidence.

# Independent Auditor's Report

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all 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.

## RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the 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.

## 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. We report our opinion solely to you, as a body, 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 HKSA's 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>

This description forms part of our auditor's report.

### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

#### **Yeung Hong Chun**

*Audit Engagement Director*

Practising Certificate Number P07374

Hong Kong, 6 May 2020

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 RM'000	2018 RM'000 Re-presented (Note 14)
<b>Continuing operations</b>			
Revenue	6	125,938	73,639
Cost of sales		(91,634)	(52,241)
<b>Gross profit</b>			
		34,304	21,398
Other (expenses)/income, net	7	(45,667)	1,185
Selling and distribution costs		(11,305)	(2,112)
Administrative expenses		(20,119)	(15,738)
<b>(Loss)/Profit from operation</b>			
		(42,787)	4,733
Interest income		468	650
Finance costs	8	(1,622)	(447)
Share of profit of a joint venture, net of tax	20	294	332
Share of loss of associates, net of tax	19	(1,389)	(1,029)
<b>(Loss)/Profit before income tax expense</b>			
	9	(45,036)	4,239
Income tax expense	10	(1,854)	(1,111)
<b>(Loss)/Profit for the year from continuing operations</b>			
		(46,890)	3,128
<b>Discontinued operation</b>			
Loss for the year from discontinued operation	14(c)	(3,936)	(2,202)
<b>(Loss)/Profit for the year</b>			
		(50,826)	926
<b>Other comprehensive (expenses)/income, net of tax</b>			
Items that may be reclassified subsequently to profit or loss:			
<b>Continuing operations</b>			
Exchange differences on translation of foreign operations		(2,058)	457
Share of other comprehensive income of a joint venture — exchange difference on translation of foreign operations		(21)	(4)
Share of other comprehensive income of associates — exchange difference on translation of foreign operations		(49)	(28)

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 RM'000	2018 RM'000 Re-presented (Note 14)
Other comprehensive (expenses)/income from continuing operations for the year, net of tax		(2,128)	425
<b>Discontinued operation</b>			
Other comprehensive expenses from discontinued operation — exchange difference on translation of foreign operations		(27)	(70)
Total other comprehensive (expenses)/income, net of tax		(2,155)	355
<b>Total comprehensive (expenses)/income for the year</b>		<b>(52,981)</b>	1,281
<b>(Loss)/Profit for the year attributable to:</b>			
Owners of the Company			
— from continuing operations		(46,890)	3,128
— from discontinued operation		(3,936)	(2,202)
		(50,826)	926
<b>Total comprehensive (expenses)/income for the year attributable to:</b>			
Owners of the Company			
— from continuing operations		(49,018)	3,553
— from discontinued operation		(3,963)	(2,272)
		(52,981)	1,281
<b>(Loss)/Earnings per share</b>	15		
Basic and diluted (RM cents)			
— from continuing operations		(8.80)	0.62
— from discontinued operation		(0.74)	(0.44)
		(9.54)	0.18



# Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2019

	Notes	2019 RM'000	2018 RM'000
<b>Non-current assets</b>			
Property, plant and equipment	16	23,872	34,815
Right-of-use assets	17	23,771	–
Intangible assets	18	32,957	1,255
Interest in associates	19	–	4,175
Interest in a joint venture	20	1,111	1,146
Loan to an associate	22	4,622	4,712
Deferred tax assets	23	369	673
		<b>86,702</b>	46,776
<b>Current assets</b>			
Inventories	24	21,192	22,120
Trade and other receivables	21	54,479	19,501
Amount due from a joint venture	22	77	84
Amounts due from associates	22	4,324	721
Current tax recoverable		304	448
Time deposits maturing over three months	25	7,980	647
Cash and bank balances		13,669	31,600
Assets held for sale	14(b)	15,171	–
		<b>117,196</b>	75,121
<b>Current Liabilities</b>			
Trade and other payables	26	32,697	11,254
Contract liabilities	27	1,159	127
Bank borrowings	28	1,378	1,095
Lease liabilities	29	3,751	–
Current tax liabilities		2,513	442
Liabilities directly associated with the assets held for sale	14(b)	8,066	–
		<b>49,564</b>	12,918
<b>Net current assets</b>		<b>67,632</b>	62,203
<b>Total assets less current liabilities</b>		<b>154,334</b>	108,979

# Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2019

	Notes	2019 RM'000	2018 RM'000
<b>Non-current liabilities</b>			
Bank borrowings	28	10,523	9,574
Lease liabilities	29	15,882	–
Provision for restoration costs	30	633	–
Deferred tax liabilities	23	1,837	743
		<b>28,875</b>	10,317
<b>Net assets</b>			
		<b>125,459</b>	98,662
<b>Capital and reserves</b>			
Share capital	31	30,255	27,285
Reserves	32	95,204	71,377
		<b>125,459</b>	98,662

The consolidated financial statements on pages 69 to 141 were approved and authorised for issue by Board of Directors on 6 May 2020 and are signed on behalf of by:

**Dato' Lua Choon Hann**  
Director

**Mr. Yang Guang**  
Director

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital <i>RM'000</i>	Share premium <i>RM'000</i>	Merger reserve <i>RM'000</i>	Exchange translation reserve <i>RM'000</i>	Retained earnings/ (Accumulated losses) <i>RM'000</i>	Total <i>RM'000</i>
<b>Balance as at 1 January 2018</b>	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 expense of a joint venture, net of tax	-	-	-	(4)	-	(4)
Share of other comprehensive expense of an associate, net of tax	-	-	-	(28)	-	(28)
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
Balance as at 31 December 2018 as originally presented	<b>27,285</b>	<b>3,609</b>	<b>42,208</b>	<b>(3,137)</b>	<b>28,697</b>	<b>98,662</b>
Initial application of IFRS 16	-	-	-	-	(407)	(407)
Restated balance as at 1 January 2019	<b>27,285</b>	<b>3,609</b>	<b>42,208</b>	<b>(3,137)</b>	<b>28,290</b>	<b>98,255</b>
Loss for the year	-	-	-	-	(50,826)	(50,826)
Exchange differences on translation of foreign operations	-	-	-	(2,085)	-	(2,085)
Share of other comprehensive expense of a joint venture, net of tax	-	-	-	(21)	-	(21)
Share of other comprehensive expense of associates, net of tax	-	-	-	(49)	-	(49)
Total comprehensive expenses	-	-	-	(2,155)	(50,826)	(52,981)
<i>Transaction with owners</i>						
Issue of shares	<b>2,970</b>	<b>77,215</b>	-	-	-	<b>80,185</b>
<b>Balance as at 31 December 2019</b>	<b>30,255</b>	<b>80,824</b>	<b>42,208</b>	<b>(5,292)</b>	<b>(22,536)</b>	<b>125,459</b>

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 RM'000	2018 RM'000
<b>Cash flows from operating activities</b>		
(Loss)/Profit before income tax expense		
— from continuing operations	<b>(45,036)</b>	4,239
— from discontinued operation	<b>(3,583)</b>	(2,549)
	<b>(48,619)</b>	1,690
Adjustment for:		
Amortisation of intangible assets	<b>439</b>	20
Depreciation of property, plant and equipment	<b>3,792</b>	3,003
Depreciation of right-of-use assets	<b>3,080</b>	—
Fair value change of profit guarantee	<b>2,593</b>	—
Impairment loss on assets held for sale	<b>5,624</b>	—
Impairment loss on goodwill	<b>34,498</b>	—
Impairment loss on interest in an associate	<b>3,244</b>	—
(Reversal of)/Impairment loss on trade receivables, net	<b>(17)</b>	26
Inventories written down	<b>1,612</b>	429
Inventories written off	<b>67</b>	—
Interest income	<b>(469)</b>	(651)
Finance costs	<b>1,982</b>	649
Net gain on disposal of property, plant and equipment	<b>(59)</b>	(116)
Property, plant and equipment written off	<b>1</b>	—
Reversal of inventories written down	<b>(110)</b>	(317)
Share of loss of associates, net of tax	<b>1,389</b>	1,029
Share of profit of a joint venture, net of tax	<b>(294)</b>	(332)
Net unrealised loss/(gain) on foreign exchange	<b>125</b>	(27)
Operating profit before working capital changes	<b>8,878</b>	5,403
Change in inventories	<b>(1,297)</b>	(734)
Change in trade and other receivables	<b>(26,324)</b>	(2,117)
Change in amount due from associates	<b>(923)</b>	(317)
Change in trade and other payables	<b>22,186</b>	(2,440)
Change in contract liabilities	<b>1,095</b>	61
Cash generated from/(used in) operations	<b>3,615</b>	(144)
Tax refunded	<b>243</b>	10
Tax paid	<b>(1,516)</b>	(1,511)
<b>Net cash generated from/(used in) operating activities</b>	<b>2,342</b>	(1,645)

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 RM'000	2018 RM'000
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(7,104)	(4,767)
Purchase of intangible assets	(36)	–
Advance to associate companies	(2,556)	–
Acquisition of a subsidiary, net of cash acquired	1,037	–
Acquisition of an associate	(842)	–
Changes in amount due from a joint venture	6	(6)
Dividend received from a joint venture	308	291
Interest received	329	514
Proceeds from disposal of property, plant and equipment	110	592
Deposits (placed)/uplift from financial institutions with original maturity of more than three months	(7,377)	1,170
<b>Net cash used in investing activities</b>	<b>(16,125)</b>	<b>(2,206)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(885)	(649)
Drawdown of bank borrowings	2,277	–
Repayment of bank borrowings	(589)	(728)
Repayment of lease liabilities	(2,570)	–
Repayment of obligations under finance leases	–	(610)
<b>Net cash used in financing activities</b>	<b>(1,767)</b>	<b>(1,987)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(15,550)</b>	<b>(5,838)</b>
Effect of foreign exchange rate changes	(283)	220
Bank balances reclassified to assets held for sale	(1,640)	–
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>30,758</b>	<b>36,376</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>13,285</b>	<b>30,758</b>
<b>Analysis of cash and cash equivalents</b>		
Cash and bank balances	13,669	31,600
Less: Bank overdraft	(384)	(842)
	<b>13,285</b>	<b>30,758</b>

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 1. 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 principal place of business in Hong Kong is 31st Floor, 148 Electric Road, North Point, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are principally engaged in the manufacturing and sale of elastic textile and webbings and polyvinyl chloride ("PVC") related products, and retail sale of garment products. 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.

## 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board (the "IASB") that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

### IFRS 16 "Leases"

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if IFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying IFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

The following table summarises the impact of transaction to IFRS 16 on retained earnings as at 1 January 2019:

	<b>1 January 2019</b>
	<i>RM'000</i>
Retained earnings as at 31 December 2018	28,697
Adjustments under IFRS 16	(407)
	<hr/>
Retained earnings as at 1 January 2019 (Restated)	28,290

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under IAS 17 "Leases."

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

### IFRS 16 "Leases" *(Continued)*

The reconciliation of operating lease commitment to lease liabilities is set out below:

	<i>RM'000</i>
Operating lease commitments disclosed as at 31 December 2018	29,134
Less: Leases commitment not yet commences	(21,456)
<hr/>	
Gross operating lease obligations at 1 January 2019	7,678
Discounting	(2,191)
<hr/>	
Lease liabilities discounted at relevant incremental borrowing rates at 1 January 2019	5,487
Add: Extension options reasonably certain to be exercised	424
<hr/>	
Lease liabilities as at 1 January 2019	5,911
<hr/>	
Analysed as:	
Current	530
Non-current	5,381
<hr/>	
	5,911
<hr/>	

The carrying amount of right-of-use assets at 1 January 2019 comprises the following:

	<i>RM'000</i>
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	5,492
Amount included in property, plant and equipment	5,202
<hr/>	
	10,694
<hr/>	
By class:	
Land use rights	9,670
Land and buildings	1,024
<hr/>	
	10,694
<hr/>	

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRSs issued by IASB, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

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

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 4 to these consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements, which have been consistently applied to all the years presented, unless otherwise stated, are set out below.

### Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2019. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, 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. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currency translation

#### (a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**functional currency**"). The consolidated financial statements are presented in Malaysian Ringgit ("**RM**"), which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group. The functional currency of the Company is Hong Kong dollars. 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.

#### (b) *Transactions and balances in each entity's financial statements*

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

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

#### (c) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Business combination and goodwill**

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investment at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

### **Associates**

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Associates** *(Continued)*

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

### **Joint arrangements**

A joint arrangement is an arrangement of which two or more parties have joint control. 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. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. 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.

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements, its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly, in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Joint arrangements** *(Continued)*

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

### **Property, plant and equipment**

Plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation of plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates and useful lives 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%
Leasehold improvement	10%

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 in 2018 represented renovation in progress of shop for the 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.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Property, plant and equipment** *(Continued)*

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

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

### **Leases**

#### *The Group as lessee*

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The lease terms of right-of-use assets are as follows:

Land use rights	47–78 years
Land and buildings	2–5 years

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

### **Intangible assets (other than goodwill)**

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Computer software	2–5 years
Customer relationship	6.5 years

Both the period and method of amortisation are reviewed annually.

### **Inventories**

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Recognition and derecognition of financial instruments**

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

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

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

### **Financial assets**

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

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost: and
- Financial assets at fair value through profit or loss

#### *(i) Financial assets at amortised cost*

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

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial assets** *(Continued)*

#### *(ii) Financial assets at fair value through profit or loss*

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Financial assets at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

### **Loss allowances for expected credit losses**

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

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

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

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

### **Cash and cash equivalents**

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

### **Financial liabilities and equity instruments**

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### **Trade and other payables**

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

### **Derivative financial instruments**

Derivatives are initially recognised and subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss.

### **Equity instruments**

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

### **Revenue from contracts with customers**

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance 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 a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

### **Other revenue**

Interest income is recognised using the effective interest method.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Non-current assets held for sale and discontinued operations**

Non-current assets or disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal group are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal group classified as held for sale are measured at the lower of the assets' or disposal group's previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with IFRS 5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss and other comprehensive income, which comprises:

The post-tax profit or loss of the discontinued operation; and

The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

### **Employee benefits**

#### *(a) 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.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Employee benefits** *(Continued)*

#### *(b) 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.

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

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

### **Taxation**

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

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

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

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Taxation** *(Continued)*

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

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

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

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

### **Related parties**

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

- (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 the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Related parties** *(Continued)*

(b) *(Continued)*

- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

### **Impairment of assets**

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

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

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

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

### **Provisions and contingent liabilities**

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

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Provision for restoration costs**

Provision for restoration costs is included in the carrying amounts of right-of-use assets. This provision is recognised in respect of the obligation of the Group to restore leased outlets to its original state upon the expiry of tenancy agreements.

### **Events after the reporting period**

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

### **Segment reporting**

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 4. KEY ESTIMATES

### **Key sources of estimation uncertainty**

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

#### *(a) Impairment of goodwill on consolidation*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was RM27,980,000 after an impairment loss of RM34,498,000 was recognised during 2019. Details of the impairment loss calculation are provided in Note 18.

#### *(b) Property, plant and equipment and depreciation*

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 4. KEY ESTIMATES *(Continued)*

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

#### *(c) Impairment of property, plant and equipment*

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

#### *(d) 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.

#### *(e) Impairment of financial assets*

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 cashflows are different from expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

#### *(f) Allowance for slow-moving inventories*

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

#### *(g) Income taxes*

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 5. FINANCIAL RISK MANAGEMENT

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

### (a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. 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 Group hold cash and bank balances denominated in foreign currencies for working capital purposes. The currencies giving rise to this risk are primarily USD and Euro. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the foreign currency denominated monetary assets and liabilities in net position as at 31 December 2019 and 2018 are as follows:

	<b>USD</b> <i>RM'000</i>	<b>Euro</b> <i>RM'000</i>
<b>31 December 2019</b>		
Trade and other receivables	<b>18,449</b>	–
Cash and bank balances	<b>7,266</b>	<b>192</b>
Trade and other payables	<b>(1,626)</b>	<b>(898)</b>
Lease liabilities	<b>(2,535)</b>	–
Overall net exposure	<b>21,554</b>	<b>(706)</b>
	USD <i>RM'000</i>	Euro <i>RM'000</i>
<b>31 December 2018</b>		
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

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 5. FINANCIAL RISK MANAGEMENT *(Continued)*

### (a) Foreign currency risk *(Continued)*

The following table illustrates the approximate change in the Group's (loss)/profit for the year and (accumulated losses)/retained earnings 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:

	<b>2019</b> <b>RM'000</b>	2018 <i>RM'000</i>
	<b>Loss for the year (decrease)/ increase</b>	Profit for the year increase/ (decrease)
USD appreciated by 10%	<b>(2,155)</b>	2,441
Euro appreciation by 10%	<b>71</b>	95

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 (loss)/profit and (accumulated losses)/retained earnings 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) Credit risk

The carrying amount of the cash and bank balances, trade and other receivables and amounts due from related companies included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentration of credit risk.

It has policies in place to ensure that sales and loans are made to customers with an appropriate credit history. Amounts due from related companies are closely monitor by the directors.

The credit risk on bank balances and cash is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

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



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 5. FINANCIAL RISK MANAGEMENT *(Continued)*

### (b) Credit risk *(Continued)*

- actual or expected significant changes in the operating results of the borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

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

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

The Group uses two categories for non-trade loan receivables which reflect their risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12-month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

### (c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Within 1 year or repayable on demand <i>RM'000</i>	More than 1 year but less than 2 years <i>RM'000</i>	More than 2 years but less than 5 years <i>RM'000</i>	More than 5 years <i>RM'000</i>	Total <i>RM'000</i>
<b>At 31 December 2019</b>					
Trade and other payables	32,697	–	–	–	32,697
Bank borrowings	1,613	2,110	2,286	11,627	17,636
Lease liabilities	5,086	9,931	9,224	–	24,241
	<b>39,396</b>	<b>12,041</b>	<b>11,510</b>	<b>11,627</b>	<b>74,574</b>

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk (Continued)

	Within 1 year or repayable on demand <i>RM'000</i>	More than 1 year but less than 2 years <i>RM'000</i>	More than 2 years but less than 5 years <i>RM'000</i>	More than 5 years <i>RM'000</i>	Total <i>RM'000</i>
<b>At 31 December 2018</b>					
Trade and other payables	11,254	–	–	–	11,254
Bank borrowings	1,604	762	2,286	12,601	17,253
	12,858	762	2,286	12,601	28,507

### (d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group will fluctuate because of changes in market interest rates. The exposure to market risk of the Group for changes in interest rates relates primarily to the bank overdraft, bills payable, term loans and deposits placed with financial institutions of the Group. There is no formal hedging policy with respect to interest rate exposure.

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

	2019		2018	
	Effective interest rate %	<i>RM'000</i>	Effective interest rate %	<i>RM'000</i>
<b>Fixed rate</b>				
Deposits placed with financial institutions	0.60–7.20	(9,733)	1.00–5.50	(12,013)
		(9,733)		(12,013)
<b>Floating rate</b>				
Bank overdraft	8.89	384	8.79–9.04	842
Bills payable	3.80–7.00	1,020	7.00–7.80	3,096
Term loans	4.72–7.50	11,517	4.97–5.47	9,827
		12,921		13,765
Total net borrowings		3,188		1,752

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (d) Interest rate risk (Continued)

#### Sensitivity analysis for interest rate risk

The following table illustrates the approximate change in the Group's (loss)/profit for the year and (accumulated losses)/retained earnings in response to reasonably possible changes in interest rates at the end of each of the following years with all other variables held constant:

	2019 RM'000	2018 RM'000
	<b>Loss for the year (decrease)/ increase</b>	Profit for the year increase/ (decrease)
Increase by 0.5%	<b>50</b>	(54)
Decrease by 0.5%	<b>(50)</b>	54

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 2019 and 2018.

### (e) Categories of financial instruments

	2019 RM'000	2018 RM'000
<b>Financial assets:</b>		
Financial assets at amortised cost (including cash and cash equivalents)	<b>82,400</b>	54,418
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	<b>64,231</b>	21,923

### (f) Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

## 6. REVENUE AND OPERATING SEGMENTS

The Company's subsidiaries are principally engaged in the manufacturing and sales of elastic textile, webbings and PVC related products, and retail business.

The Group determines its operating segments based on the reports reviewed by the chief executive officer who is the chief operating decision-maker (the "CODM").

The Group has arrived at two reportable segments summarised as follows: (i) Manufacturing and (ii) Retail.

During the year, the Group has changed the reportable segments to Manufacturing Division and Retail Division due to the Group has commenced retail business in 2019. The change is in-line with the manner the internal management reporting and operating results were reviewed by the Group's management to make decisions about the resources to be allocated to the segments and to assess their performance.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 6. REVENUE AND 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 profit before income tax expense.

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 the CODM does not use this information to allocate resources and evaluate the performance of the operating segments.

On 4 October 2019, the Group entered into a term sheet with a potential purchaser for the disposal of Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd (PEWAV (VN)), a member of the Group principally engaged in the manufacture and sale of narrow elastic fabrics. Subsequently, on 10 January 2020, the Group entered into the Capital Transfer Agreement with the Purchaser pursuant to which the Purchaser has conditionally agreed with the Group. In view of this, the operations of PEWAV (VN) was classified as discontinued operations in profit or loss statement whereas the assets and liabilities of PEWAV (VN) were classified as assets and liabilities held for sales in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, which were measured at the lower of carrying amount and fair value less costs to sell, and were presented separately in the statement of financial position.

### Year ended 31 December 2019

	Manufacturing RM'000	Continuing operations Retail RM'000	Others RM'000	Sub-total RM'000	Discontinued operation Manufacturing RM'000	Total RM'000
<b>Revenue</b>						
Total revenue	119,609	6,376	28	126,013	16,977	142,990
Inter-segment revenue	(75)	-	-	(75)	(78)	(153)
<b>Total revenue from external customers</b>	<b>119,534</b>	<b>6,376</b>	<b>28</b>	<b>125,938</b>	<b>16,899</b>	<b>142,837</b>
<b>Results</b>						
Operating loss	(32,586)	(5,952)	(4,249)	(42,787)	(3,224)	(46,011)
Interest income	450	2	16	468	1	469
Finance costs	(675)	(939)	(8)	(1,622)	(360)	(1,982)
Share of profit of a joint venture, net of tax	294	-	-	294	-	294
Share of loss of associates, net of tax	(592)	(797)	-	(1,389)	-	(1,389)
Loss before income tax expense	(33,109)	(7,686)	(4,241)	(45,036)	(3,583)	(48,619)
Income tax expense	(1,854)	-	-	(1,854)	(353)	(2,207)
Loss for the year	(34,963)	(7,686)	(4,241)	(46,890)	(3,936)	(50,826)
<b>Other segment items:</b>						
Amortisation and depreciation	(2,237)	(3,303)	(76)	(5,616)	(1,695)	(7,311)
Fair value change of profit guarantee	(2,593)	-	-	(2,593)	-	(2,593)
Impairment loss on assets held for sale	(5,624)	-	-	(5,624)	-	(5,624)
Impairment loss on goodwill	(34,498)	-	-	(34,498)	-	(34,498)
Impairment loss on interest in an associate	(3,244)	-	-	(3,244)	-	(3,244)

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 6. REVENUE AND OPERATING SEGMENTS (Continued)

Year ended 31 December 2018 (Restated)

	Manufacturing RM'000	Continuing operations		Sub-total RM'000	Discontinued operation RM'000	Total RM'000
		Retail RM'000	Others RM'000			
<b>Revenue</b>	73,700	-	-	73,700	18,931	92,631
Inter-segment revenue	(61)	-	-	(61)	(5)	(66)
<b>Total revenue from external customers</b>	<b>73,639</b>	<b>-</b>	<b>-</b>	<b>73,639</b>	<b>18,926</b>	<b>92,565</b>
<b>Results</b>						
Operating profit/(loss)	6,994	(763)	(1,498)	4,733	(2,348)	2,385
Interest income	460	1	189	650	1	651
Finance costs	(447)	-	-	(447)	(202)	(649)
Share of profit of a joint venture, net of tax	332	-	-	332	-	332
Share of loss of an associate, net of tax	(1,029)	-	-	(1,029)	-	(1,029)
Profit/(Loss) before income tax expense	6,310	(762)	(1,309)	4,239	(2,549)	1,690
Income tax expense	(1,111)	-	-	(1,111)	347	(764)
Profit/(Loss) for the year	5,199	(762)	(1,309)	3,128	(2,202)	926
<b>Other segment item:</b>						
Amortisation and depreciation	(1,391)	(1)	-	(1,392)	(1,631)	(3,023)

### Geographical information

The Company is domiciled in the Cayman Islands while the Group's manufacturing facilities and sales offices are based in Malaysia, Vietnam, the People's Republic of China ("PRC") and Hong Kong, and the retail business is based in Singapore.

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").

	Continuing operations		Discontinued operation		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Revenue from external customers</b>						
Asia Pacific	<b>99,785</b>	48,500	<b>14,765</b>	17,936	<b>114,550</b>	66,436
Europe	<b>7,773</b>	8,285	<b>2,126</b>	958	<b>9,899</b>	9,243
North America	<b>16,760</b>	16,546	<b>8</b>	32	<b>16,768</b>	16,578
Others	<b>1,620</b>	308	-	-	<b>1,620</b>	308
	<b>125,938</b>	73,639	<b>16,899</b>	18,926	<b>142,837</b>	92,565

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 6. REVENUE AND OPERATING SEGMENTS (Continued)

### Geographical information (Continued)

	2019 <i>RM'000</i>	2018 <i>RM'000</i>
<b>Specified non-current assets</b>		
Malaysia	<b>20,689</b>	20,329
Vietnam	<b>5,251</b>	13,865
Singapore	<b>21,414</b>	1,876
Hong Kong	<b>166</b>	–
PRC	<b>33,080</b>	–
	<b>80,600</b>	36,070

### Revenue breakdown

	Continuing operations		Discontinued operation		Total	
	2019 <i>RM'000</i>	2018 <i>RM'000</i>	2019 <i>RM'000</i>	2018 <i>RM'000</i>	2019 <i>RM'000</i>	2018 <i>RM'000</i>
Elastic textile	<b>31,495</b>	29,140	<b>16,899</b>	18,926	<b>48,394</b>	48,066
Webbing	<b>39,581</b>	33,561	–	–	<b>39,581</b>	33,561
PVC related products and other products	<b>48,388</b>	10,922	–	–	<b>48,388</b>	10,922
Garment products	<b>6,376</b>	–	–	–	<b>6,376</b>	–
Others	<b>98</b>	16	–	–	<b>98</b>	16
	<b>125,938</b>	73,639	<b>16,899</b>	18,926	<b>142,837</b>	92,565

### Timing of revenue recognition

All revenue from customers during the years ended 31 December 2019 and 2018 were recognised at a point in time.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 6. REVENUE AND OPERATING SEGMENTS *(Continued)*

### Information about major customers

Manufacturing segment:

	<b>2019</b>	2018
	<b>RM'000</b>	RM'000
Customer A	—*	10,730

\* Revenue from this customer did not exceed 10% of the total revenue of the Group during the year. These amounts were shown for comparative purpose.

No individual customer contribute over 10% of the total revenue of the Group in 2019.

### Sales of elastic textile, webbing and PVC related products

The Group manufactures and sells elastic textile, webbing and PVC related products to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

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

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

### Retail sale of garment products

The Group sells garment products to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 7. OTHER (EXPENSES)/INCOME, NET

	Continuing operations		Discontinued operation		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(Loss)/Gain on foreign exchange, net						
— realised	(284)	294	(69)	(19)	(353)	275
— unrealised	(207)	169	82	(142)	(125)	27
Commission income	269	199	—	—	269	199
Fair value change of profit guarantee	(2,593)	—	—	—	(2,593)	—
Impairment loss on assets held for sale (Note 14(b))	(5,624)	—	—	—	(5,624)	—
Impairment loss on goodwill (Note 18(i))	(34,498)	—	—	—	(34,498)	—
Impairment loss on interest in an associate (Note 19(i))	(3,244)	—	—	—	(3,244)	—
Net gain on disposal of property, plant and equipment	59	116	—	—	59	116
Sales of scrap	55	52	5	6	60	58
Others	400	355	20	(2)	420	353
	<b>(45,667)</b>	1,185	<b>38</b>	(157)	<b>(45,629)</b>	1,028

## 8. FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest on bank overdrafts	33	8	—	—	33	8
Interest on bank borrowings	567	417	285	202	852	619
Interest on lease liabilities	992	—	75	—	1,067	—
Interest on obligations under finance leases	—	22	—	—	—	22
Others	30	—	—	—	30	—
	<b>1,622</b>	447	<b>360</b>	202	<b>1,982</b>	649



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 9. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

The Group's (loss)/profit before income tax expense is stated after charging/(crediting) the following:

	Continuing operations		Discontinued operation		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Auditor's remuneration	489	368	27	27	516	395
Amortisation of intangible assets	431	5	8	15	439	20
Cost of inventories recognised as expenses	74,623	32,828	8,044	7,454	82,667	40,282
Depreciation of property, plant and equipment	2,168	1,387	1,624	1,616	3,792	3,003
Depreciation of right-of-use assets	3,017	—	63	—	3,080	—
Fair value change of profit guarantee	2,593	—	—	—	2,593	—
Impairment loss on assets held for sale	5,624	—	—	—	5,624	—
Impairment loss on goodwill	34,498	—	—	—	34,498	—
Impairment loss on interest in an associate	3,244	—	—	—	3,244	—
Impairment loss on trade receivables	18	30	—	18	18	48
Interest income from:						
— fixed deposits	(275)	(485)	—	—	(275)	(485)
— bank balances	(52)	(28)	(1)	(1)	(53)	(29)
— advance to an associate	(141)	(137)	—	—	(141)	(137)
Inventories written down	1,612	315	—	114	1,612	429
Inventories written off	67	—	—	—	67	—
Net gain on disposal of property, plant and equipment	(59)	(116)	—	—	(59)	(116)
Property, plant and equipment written off	1	—	—	—	1	—
Rental expenses on:						
— building	207	337	—	—	207	337
— land	—	140	—	109	—	249
Reversal of impairment loss on trade receivables	(25)	(13)	(10)	(9)	(35)	(22)
Reversal of inventories written down	—	(317)	(110)	—	(110)	(317)
Employee costs included in:						
— cost of sales	12,025	10,116	5,785	6,499	17,810	16,615
— selling and distribution costs	1,028	208	197	207	1,225	415
— administrative expenses	13,267	11,159	473	632	13,740	11,791

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 10. INCOME TAX EXPENSE

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

	Continuing operations		Discontinued operation		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current tax — Malaysian income tax						
— provision for the year	291	352	—	—	291	352
— (over)/under provision in prior years	(64)	107	—	—	(64)	107
	<b>227</b>	459	—	—	<b>227</b>	459
Current tax — Overseas						
— provision for the year	1,698	912	—	—	1,698	912
— under provision in prior years	81	—	—	—	81	—
	<b>1,779</b>	912	—	—	<b>1,779</b>	912
Total current tax	<b>2,006</b>	1,371	—	—	<b>2,006</b>	1,371
Deferred tax (Note 23)						
— current year	(125)	(121)	—	(347)	(125)	(468)
— (over)/under provision in prior years	(27)	(139)	353	—	326	(139)
	<b>(152)</b>	(260)	<b>353</b>	(347)	<b>201</b>	(607)
Total income tax expense/(credit)	<b>1,854</b>	1,111	<b>353</b>	(347)	<b>2,207</b>	764

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% (2018: 24%) of the estimated taxable profit for the year ended 31 December 2019.

Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 10. INCOME TAX EXPENSE *(Continued)*

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

	<b>2019</b>	2018
	<b>RM'000</b>	RM'000
(Loss)/Profit before income tax expense		
— from continuing operations	<b>(45,036)</b>	4,239
— from discontinued operation	<b>(3,583)</b>	(2,549)
	<b>(48,619)</b>	1,690
Tax calculated at Malaysian statutory tax rate of 24%	<b>(11,669)</b>	406
Effect of different tax rates in foreign jurisdictions	<b>95</b>	(273)
Tax incentive	<b>(22)</b>	(47)
Tax effect of expenses not deductible for tax purposes	<b>12,433</b>	782
Tax effect of revenue not taxable	<b>(105)</b>	(229)
Deferred tax assets not recognised	<b>1,107</b>	1
Tax effect of share of profit of a joint venture	<b>(71)</b>	(80)
Tax effect of share of loss of associates	<b>334</b>	247
Under provision of income tax expense in prior years	<b>17</b>	107
Under/(Over) provision of deferred tax expense in prior years	<b>326</b>	(139)
Others	<b>(238)</b>	(11)
Income tax expense	<b>2,207</b>	764

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 11. EMPLOYEE COSTS

	Continuing operations		Discontinued operation		Total	
	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Employee costs (including directors) comprise:						
Wages, salaries and bonuses	21,067	17,081	4,878	5,552	25,945	22,633
Contributions to defined contribution plans	2,818	2,440	815	1,012	3,633	3,452
Other benefits	2,435	1,962	762	774	3,197	2,736
	<b>26,320</b>	<b>21,483</b>	<b>6,455</b>	<b>7,338</b>	<b>32,775</b>	<b>28,821</b>

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.

## 12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

### Directors' and chief executive's emoluments

The emoluments paid or payable to directors and chief executive of the Company are as follows:

	Fees	Salaries and other benefits	Discretionary bonus	Contributions	Total
				to defined contribution plans	
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non-executive directors</b>					
Dato' Lim Heen Peok	81	–	–	–	81
Mr. Yang Guang (Note (i))	60	–	–	–	60
<b>Executive directors</b>					
Mr. Cheah Eng Chuan	–	917	148	202	1,267
Mr. Tan Chuan Dyi (Note (iii))	–	639	76	136	851
Dato' Lua Choon Hann	–	303	–	54	357
Mr. Cheah Hannon (Note (iii))	–	40	–	8	48
Mr. Qu Weidong (Note (iv))	–	130	–	–	130
<b>Independent non-executive directors</b>					
Mr. Ho Ming Hon	60	–	–	–	60
Dato' Sri Wee Jeck Seng (Note (v))	60	–	–	–	60
Dato' Sri Dr. Hou Kok Chung	60	–	–	–	60
<b>Total for 2019</b>	<b>321</b>	<b>2,029</b>	<b>224</b>	<b>400</b>	<b>2,974</b>

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

### Directors' and chief executive's emoluments (Continued)

	Fees RM'000	Salaries and other benefits RM'000	Discretionary bonus RM'000	Contributions to defined contribution plans RM'000	Total RM'000
<b>Non-executive directors</b>					
Dato' Lim Heen Peok	82	–	–	–	82
Mr. Yang Guang (Note (i))	6	–	–	–	6
<b>Executive directors</b>					
Mr. Cheah Eng Chuan	–	779	234	189	1,202
Mr. Tan Chuan Dyi (Note (ii))	–	700	118	159	977
Dato' Lua Choon Hann	–	300	–	56	356
<b>Independent non-executive directors</b>					
Mr. Ho Ming Hon	61	–	–	–	61
Dato' Sri Wee Jeck Seng (Note (v))	61	–	–	–	61
Dato' Sri Dr. Hou Kok Chung	61	–	–	–	61
<b>Total for 2018</b>	<b>271</b>	<b>1,779</b>	<b>352</b>	<b>404</b>	<b>2,806</b>

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.

#### Notes:

- (i) Mr. Yang Guang was appointed as the Company's non-executive director on 23 November 2018.
- (ii) Mr. Tan Chuan Dyi resigned as the Company's executive director on 6 November 2019 and his emoluments for the year ended 2019 was disclosed from 1 January 2019 to 6 November 2019.
- (iii) Mr. Cheah Hannon was appointed as the Company's executive director on 6 November 2019.
- (iv) Mr. Qu Weidong was appointed as the Company's executive director on 25 April 2019 and resigned as an executive director on 24 January 2020.
- (v) Dato' Sri Wee Jeck Seng resigned as an independent non-executive director on 10 March 2020.
- (vi) 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 (2018: RM Nil). In addition, none of the directors has waived or agreed to waive any emoluments during the year (2018: RM Nil).

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 13. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, 3 (2018: 3) were directors of the Company whose emoluments are included in the disclosures in Note 12 above. The emoluments of the remaining 2 (2018: 2) individuals were as follows:

	<b>2019</b>	2018
	<b>RM'000</b>	RM'000
Salaries and other benefits	<b>1,003</b>	902
Discretionary bonus	<b>49</b>	153
Contributions to defined contribution plans	<b>158</b>	154
	<b>1,210</b>	1,209

The emoluments of each of the above highest paid individuals (excluding the directors of the Company) during 2019 and 2018 were all within the following bands:

	<b>2019</b>	2018
	<b>Number of employees</b>	Number of employees
HK\$1,000,001 to HK\$1,500,000	<b>2</b>	2

## 14. ASSETS HELD FOR SALE, LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS HELD FOR SALE AND DISCONTINUED OPERATION

### (a) Assets held for sale

- (i) On 16 September 2019, the Company entered into a term sheet with a potential purchaser for the sale of Furnitech Components (Vietnam) Co., Ltd. ("**FCV (VN)**"), an associate of the Group which sells metal components for furniture.

Accordingly, the interest in FCV (VN) are classified as disposal group held for sale.

- (ii) On 4 October 2019, the Company has entered into a term sheet with a potential purchaser for the sale of Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd. ("**PEWAV (VN)**"), a member of the Group principally engaged in the manufacture and sale of narrow elastic fabrics, to the Purchaser.

PEWAV (VN) was sold on 10 January 2020. Accordingly, the assets and liabilities in PEWAV (VN) are classified as disposal group held for sale and the financial results of PEWAV (VN) are classified as discontinued operation.

The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 have been re-presented to show the discontinued operation separately from the continuing operations.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 14. ASSETS HELD FOR SALE, LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS HELD FOR SALE AND DISCONTINUED OPERATION *(Continued)*

(b) The assets held for sale and the liabilities directly associated with the asset held for sale as at 31 December 2019 are as follows:

	FCV (VN) RM'000	PEWAV (VN) RM'000	Total RM'000
<b>Assets held for sale</b>			
Property, plant and equipment	–	9,930	9,930
Right-of-use assets	–	1,754	1,754
Intangible assets	–	6	6
Interest in an associate	334	–	334
Inventories	–	4,577	4,577
Trade and other receivables	–	2,516	2,516
Current tax recoverable	–	38	38
Cash and bank balances	–	1,640	1,640
Impairment loss on assets held for sale	–	(5,624)	(5,624)
	334	14,837	15,171
<b>Liabilities directly associated with the assets held for sale</b>			
Lease liabilities	–	2,082	2,082
Trade and other payables	–	5,947	5,947
Contract liabilities	–	37	37
	–	8,066	8,066

Included in the property, plant and equipment with carrying amounts of RM6,107,000 (2018: RM6,903,000) pledged as security for the bills payable classified under liabilities directly associated with the assets held for sale.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 14. ASSETS HELD FOR SALE, LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS HELD FOR SALE AND DISCONTINUED OPERATION *(Continued)*

(c) Analysis of the results of the discontinued operation is as follows:

	2019 <i>RM'000</i>	2018 <i>RM'000</i>
Revenue	<b>16,899</b>	18,926
Cost of sales	<b>(18,689)</b>	(19,332)
<hr/>		
Gross loss	<b>(1,790)</b>	(406)
Other income/(expenses), net	<b>38</b>	(157)
Selling and distribution costs	<b>(488)</b>	(570)
Administrative expenses	<b>(984)</b>	(1,215)
Interest income	<b>1</b>	1
Finance costs	<b>(360)</b>	(202)
<hr/>		
Loss before income tax expense	<b>(3,583)</b>	(2,549)
Income tax (expense)/credit	<b>(353)</b>	347
<hr/>		
Loss for the year	<b>(3,936)</b>	(2,202)

(d) Analysis of the cash flows of the discontinued operation are as follows:

	2019 <i>RM'000</i>	2018 <i>RM'000</i>
Net cash generated from/(used in) operating activities	<b>374</b>	(548)
Net cash used in investing activities	<b>(183)</b>	(2,177)
Net cash generated from financing activities	<b>423</b>	2,328



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 15. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to owners of the Company is based on the following date:

	2019	2018
<b>(Loss)/Earnings</b>		
(Loss)/Earnings for the purpose of basic (loss)/earnings per share		
(Loss)/Profit for the year attributable to owners of the Company (RM'000)		
— from continuing operations	<b>(46,890)</b>	3,128
— from discontinued operation	<b>(3,936)</b>	(2,202)
	<b>(50,826)</b>	926
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings for share ('000)	<b>532,690</b>	504,000

Diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no dilutive potential ordinary outstanding for the years ended 31 December 2019 and 2018.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 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
<b>COST</b>									
At 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 and 1 January 2019	<b>1,009</b>	<b>6,859</b>	<b>28,423</b>	<b>48,875</b>	<b>2,499</b>	<b>1,068</b>	<b>1,868</b>	<b>29</b>	<b>90,630</b>
Additions	-	-	-	1,029	671	-	4,906	498	7,104
Disposals	-	-	-	-	(3)	(255)	-	-	(258)
Acquisition of a subsidiary	-	-	-	3,934	48	640	-	-	4,622
Written off	-	-	-	(2)	(3)	-	-	-	(5)
Transfer to right-of-use assets	-	(6,859)	-	-	-	-	-	-	(6,859)
Transfer to assets held for sale	-	-	(9,213)	(17,720)	(553)	(81)	-	-	(27,567)
Translation adjustments	-	-	(208)	(533)	(12)	(24)	(1)	-	(778)
Reclassification	-	-	-	527	1,090	-	(1,090)	(527)	-
At 31 December 2019	<b>1,009</b>	<b>-</b>	<b>19,002</b>	<b>36,110</b>	<b>3,737</b>	<b>1,348</b>	<b>5,683</b>	<b>-</b>	<b>66,889</b>
<b>ACCUMULATED DEPRECIATION</b>									
At 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 and 1 January 2019	<b>-</b>	<b>1,658</b>	<b>11,169</b>	<b>39,893</b>	<b>2,157</b>	<b>938</b>	<b>-</b>	<b>-</b>	<b>55,815</b>
Charge for the year	-	-	897	1,769	341	28	757	-	3,792
Disposals	-	-	-	-	(3)	(204)	-	-	(207)
Acquisition of a subsidiary	-	-	-	2,844	48	553	-	-	3,445
Written off	-	-	-	(1)	(3)	-	-	-	(4)
Transfer to right-of-use assets	-	(1,658)	-	-	-	-	-	-	(1,658)
Transfer to assets held for sale	-	-	(5,154)	(11,912)	(490)	(81)	-	-	(17,637)
Translation adjustments	-	-	(104)	(392)	(11)	(22)	-	-	(529)
At 31 December 2019	<b>-</b>	<b>-</b>	<b>6,808</b>	<b>32,201</b>	<b>2,039</b>	<b>1,212</b>	<b>757</b>	<b>-</b>	<b>43,017</b>
<b>CARRYING AMOUNT</b>									
At 31 December 2019	<b>1,009</b>	<b>-</b>	<b>12,194</b>	<b>3,909</b>	<b>1,698</b>	<b>136</b>	<b>4,926</b>	<b>-</b>	<b>23,872</b>
At 31 December 2018	1,009	5,201	17,254	8,982	342	130	1,868	29	34,815

As at 31 December 2019 and 2018, freehold land, long term leasehold land, buildings and certain plant and machinery of the Group with carrying amount of RM11,293,000 and RM23,712,000 respectively are pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 28.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 17. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	<b>2019</b> <b>RM'000</b>	2018 RM'000
At 31 December:		
Right-of-use assets		
— Land use right	<b>7,574</b>	—
— Land and buildings	<b>16,197</b>	—
	<b>23,771</b>	—

The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:

— Less than 1 year	<b>5,086</b>	—
— Between 1 and 2 years	<b>9,931</b>	—
— Between 2 and 5 years	<b>9,224</b>	—
	<b>24,241</b>	—

### Year ended 31 December:

Depreciation charge of right-of-use assets		
— Land use right	<b>259</b>	—
— Land and buildings	<b>2,821</b>	—
	<b>3,080</b>	—
Lease interests	<b>1,067</b>	—
Expenses related to short-term leases	<b>207</b>	—
Expenses related to small value assets	<b>6</b>	—
Total cash outflow for leases	<b>(2,570)</b>	—
Additions to right-of-use assets	<b>17,998</b>	—

The Group leases various land use rights, factory, buildings and shoplot. The lease terms of the leases ranged from 2 to 78 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. As at 31 December 2019, land use right of the Group with carrying amount of RM5,114,000 are pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 28.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 18. INTANGIBLE ASSETS

	<b>Goodwill</b> <i>RM'000</i>	<b>Customer relationship</b> <i>RM'000</i>	<b>Computer software</b> <i>RM'000</i>	<b>Total</b> <i>RM'000</i>
<b>COST</b>				
At 1 January 2018, 31 December 2018 and 1 January 2019	1,233	–	310	1,543
Additions	–	–	36	36
Acquired on acquisition of a subsidiary	62,118	5,502	–	67,620
Transferred to assets held for sale	–	–	(170)	(170)
Translation adjustments	(1,649)	(146)	(3)	(1,798)
At 31 December 2019	61,702	5,356	173	67,231
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>				
At 1 January 2018	–	–	268	268
Amortisation charge for the year	–	–	20	20
At 31 December 2018 and 1 January 2019	–	–	<b>288</b>	<b>288</b>
Amortisation charge for the year	–	<b>421</b>	<b>18</b>	<b>439</b>
Impairment loss charge for the year	<b>34,498</b>	–	–	<b>34,498</b>
Transferred to assets held for sale	–	–	<b>(164)</b>	<b>(164)</b>
Translation adjustments	<b>(776)</b>	<b>(8)</b>	<b>(3)</b>	<b>(787)</b>
At 31 December 2019	<b>33,722</b>	<b>413</b>	<b>139</b>	<b>34,274</b>
<b>CARRYING AMOUNT</b>				
At 31 December 2019	<b>27,980</b>	<b>4,943</b>	<b>34</b>	<b>32,957</b>
At 31 December 2018	1,233	–	22	1,255

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 18. INTANGIBLE ASSETS (Continued)

### (a) Goodwill

	<b>2019</b>	2018
	<b>RM'000</b>	RM'000
Goodwill, gross	<b>61,702</b>	1,233
Less: Impairment loss	<b>(33,722)</b>	–
Goodwill, net	<b>27,980</b>	1,233

The carrying amount of goodwill amounted to RM1,233,000 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).

On 28 June 2019, the carrying amount of goodwill amounted to RM62,118,000 arising from the acquisition of 100% equity interest in Meinaide Group Limited (“**Meinaide**”) had been allocated to the CGU of manufacture and sale of PVC related products operated by a wholly-owned indirect subsidiary of Meinaide. During the year, an impairment loss on goodwill amounted to RM34,498,000 has been recognised in profit or loss mainly due to challenging operating environment which the management expects a lower growth in business operations in PRC in 2020.

- (i) For the purpose of impairment testing as at 31 December 2019 and 2018, 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 2019 and 2018 is derived based on management’s cash flow projections for three to five years from 2020 to 2024 and 2019 to 2021 respectively.
- (ii) The key assumptions used in the value in use calculations are as follows:

	<b>FSWSB (MY)</b>	<b>Meinaide</b>
<b>At 31 December 2019</b>		
Average annual revenue growth rates (%)	<b>5% to 18%</b>	<b>5% to 16%</b>
Growth rate (%)	<b>2%</b>	<b>2%</b>
Pre tax discount rate (%)	<b>12.68%</b>	<b>12.90%</b>
<b>At 31 December 2018</b>		
Average annual revenue growth rates (%)	5% to 12%	N/A
Growth rate (%)	2%	N/A
Pre tax discount rate (%)	16.75%	N/A

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 18. INTANGIBLE ASSETS (Continued)

### (a) Goodwill (Continued)

#### (ii) (Continued)

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Average annual revenue growth rates	Revenue growth rate is for the three to five years forecast period. It is based on past performance and management's expectations of market development.
Growth rate	The cash flows of the CGU beyond the three to five years period are extrapolated using a growth rate which was below the average growth rate of Manufacturing Division of the Group.
Pre tax discount rate	The discount rate used is pre tax and reflects the overall weighted average cost of capital of the CGU.

#### (iii) 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.

## 19. INTEREST IN ASSOCIATES

	2019 RM'000	2018 RM'000
Share of net assets other than goodwill	334	931
Goodwill	–	3,244
<hr/>		
Transferred to non-current assets held for sale (Note 14)	334 (334)	4,175 –
<hr/>		
	–	4,175

Name	Place and date of incorporation	Issued and paid-up capital	Effective interest held		Principal activities
			by the Company 2019	2018	
<b>Associates</b>					
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
Skilltrain Co., Ltd. ("Skilltrain")	Thailand 15 September 2016	Thai baht ("THB") 12,350,075	49.00%	–	Retail sale of clothing, footwear and ancillary products

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 19. INTEREST IN ASSOCIATES (Continued)

During the financial year, PP Retail Pte Ltd, a wholly-owned indirect subsidiary of the Company, had injected THB6,419,000 (equivalent to approximately RM842,000) in Skilltrain by way of subscribing 64,190 shares of Skilltrain which representing 49% equity interest in Skilltrain, a limited liability company incorporated in Thailand, at the issue price of THB100 per share.

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

	FCV (VN) RM'000	2019 Skilltrain RM'000	Total RM'000	2018 FCV (VN) RM'000
<b>Assets and liabilities</b>				
Non-current assets	5,221	1,991	7,212	5,588
Current assets	4,036	3,214	7,250	5,741
Non-current liabilities	(4,644)	–	(4,644)	(4,467)
Current liabilities	(3,871)	(5,246)	(9,117)	(4,797)
Net assets/(liabilities)	742	(41)	701	2,065
Reconciliation to the Group's interest in associates:				
Proportion of the Group's ownership	45.06%	49.00%		45.06%
Share of net assets other than goodwill	334	–	334	931
Goodwill	–	–	–	3,244
Carrying amount of the investment	334	–	334	4,175
Included in the net assets are:				
Cash and cash equivalents	652	130	782	1,037
Current financial liabilities (excluding trade and other payables)	(5,839)	–	(5,839)	(1,007)
<b>Results</b>				
Revenue	8,296	670	8,966	5,771
Loss before income tax expense	(1,313)	(1,669)	(2,982)	(2,284)
Income tax expense	–	–	–	–
Loss after tax	(1,313)	(1,669)	(2,982)	(2,284)
Other comprehensive expense:				
Foreign currency translations	(10)	(90)	(100)	(63)
Total comprehensive expense	(1,323)	(1,759)	(3,082)	(2,347)

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 19. INTEREST IN ASSOCIATES *(Continued)*

	FCV (VN) RM'000	2019 Skilltrain RM'000	Total RM'000	2018 FCV (VN) RM'000
Reconciliation to the Group's interest in associates:				
Proportion of the Group's ownership	45.06%	49%		45.06%
Loss after tax	(592)	(797)	(1,389)	(1,029)
Other comprehensive expense	(5)	(44)	(49)	(28)
Included in the above amounts are:				
Depreciation and amortisation	275	190	465	(279)
Interest expense	249	–	249	(240)

- (i) An impairment loss on goodwill amounted to RM3,244,000 relating to FCV (VN), have been recognised due to its recoverable amount being lower than its carrying amount as a result of declining business operations.
- (ii) In the previous financial year, for the purpose of impairment testing, the recoverable amount of the Group's interest in an associate was determined based on a "value in use" calculation. The value in use of the Group's interest in an associate was determined by discounting the future cash flows to be generated from the associate. The value in use as at 31 December 2018 was 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 were as follows:

- 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.
- 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.
- 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.

### 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.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 20. INTEREST IN A JOINT VENTURE

	<b>2019</b>	2018
	<b>RM'000</b>	RM'000
Share of net assets	<b>1,111</b>	1,146

Name	Place and date of incorporation	Issued and paid-up capital	Effective interest held		Principal activities
			by the Company 2019	2018	
<b>Joint venture</b>					
Trunet (Vietnam) Co., Ltd. (" <b>TNV (VN)</b> ")	Vietnam 15 February 2001	USD300,000	<b>50.00%</b>	50.00%	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 TNV (VN). 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:

	<b>2019</b>	2018
	<b>RM'000</b>	RM'000
<b>Assets and liabilities</b>		
Non-current assets	<b>134</b>	164
Current assets	<b>2,585</b>	2,803
Current liabilities	<b>(498)</b>	(674)
Net assets	<b>2,221</b>	2,293
Reconciliation to the Group's interest in a joint venture:		
Proportion of the Group's ownership	<b>50.00%</b>	50.00%
Carrying amount of the investment	<b>1,111</b>	1,146
Included in the net assets are:		
Cash and cash equivalents	<b>1,392</b>	1,595
Current financial liabilities (excluding trade and other payables)	<b>(167)</b>	(323)

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 20. INTEREST IN A JOINT VENTURE *(Continued)*

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

	<b>2019</b>	2018
	<b>RM'000</b>	RM'000
<b>Results</b>		
Revenue	<b>4,050</b>	3,884
Profit before income tax expense	<b>693</b>	782
Income tax expense	<b>(105)</b>	(117)
Profit after tax	<b>588</b>	665
Other comprehensive expense:		
Foreign currency translations	<b>(41)</b>	(8)
Total comprehensive income	<b>547</b>	657
Reconciliation to the Group's interest in a joint venture:		
Proportion of the Group's ownership	<b>50.00%</b>	50.00%
Profit after tax	<b>294</b>	332
Other comprehensive expense	<b>(21)</b>	(4)
Other information:		
Dividend received from the joint venture	<b>(308)</b>	(291)
Included in the above amounts are:		
Depreciation and amortisation	<b>(33)</b>	(40)

The joint venture had no contingent liabilities and capital commitments as at 31 December 2019 and 2018.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 21. TRADE AND OTHER RECEIVABLES

	<b>2019</b> <b>RM'000</b>	2018 <i>RM'000</i>
Trade receivables	<b>39,417</b>	14,889
Less: Allowance for impairment loss	<b>(226)</b>	(364)
	<b>39,191</b>	14,525
Prepayment, deposit and other receivables	<b>11,858</b>	4,976
Loan receivables	<b>3,430</b>	–
	<b>54,479</b>	19,501

### Trade receivables

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 RM90,000 (2018: RM240,000) and RMNil (2018: RM39,000) respectively which are repayable on credit terms similar to those offered to the other customers of the Group.

The ageing analysis of trade receivables, based on invoice dates and before allowance for impairment losses, as at 31 December 2019 and 2018 are as follows:

	<b>2019</b> <b>RM'000</b>	2018 <i>RM'000</i>
Within 30 days	<b>11,323</b>	7,132
31–60 days	<b>10,431</b>	4,514
61–90 days	<b>4,791</b>	995
91–180 days	<b>11,392</b>	2,020
Over 180 days	<b>1,480</b>	228
	<b>39,417</b>	14,889

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 21. TRADE AND OTHER RECEIVABLES (Continued)

### Trade receivables (Continued)

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 2019 and 2018:

	Current	1-30 days past due	31-60 days past due	61-90 days past due	Over 90 year past due	Individual assessment	Total
At 31 December 2019							
Weighted average expected loss rate	0.11%	0.20%	0.33%	0.32%	0.81%	100.00%	
Receivable amount (RM'000)	22,428	8,539	3,604	2,477	2,223	146	39,417
Loss allowance (RM'000)	25	17	12	8	18	146	226
At 31 December 2018							
Weighted average expected loss rate	0.40%	1.61%	3.16%	9.09%	27.17%	100.00%	
Receivable amount (RM'000)	10,174	3,909	443	55	92	216	14,889
Loss allowance (RM'000)	41	63	14	5	25	216	364

Expected loss rate 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.

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

	2019 RM'000	2018 RM'000
At 31 December under IAS 39	–	108
Impact of initial application of IFRS 9	–	225
Adjusted balance at 1 January	364	333
Impairment loss recognised	18	48
Reversal of impairment loss previously recognised	(35)	(22)
Transfer to assets held for sale	(118)	–
Translation adjustments	(3)	5
At 31 December	226	364

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 21. TRADE AND OTHER RECEIVABLES (Continued)

### Loan receivables

Loan to customers are denominated in HK\$. The loan to customers carry a fixed interest rate ranged from 5% to 36% (2018: Nil) per annum with credit terms mutually agreed with the customers.

### Ageing analysis

The maturity profile of loan to customers net of allowance at the end of reporting period, analysed by the remaining period to the contractual maturity date is as follows:

	<b>2019</b> <b>RM'000</b>	2018 RM'000
Within 1 year	<b>3,430</b>	–

The credit period of individual customer is considered on a case-by-case basis.

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

	<b>Current</b>
At 31 December 2019	
Weighted average expected loss rate	<b>0.00%</b>
Receivable amount (RM'000)	<b>3,430</b>
Loss allowance (RM'000)	–
At 31 December 2018	
Weighted average expected loss rate	0.00%
Receivable amount (RM'000)	–
Loss allowance (RM'000)	–

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 22. AMOUNTS DUE FROM A JOINT VENTURE AND ASSOCIATES AND BALANCES WITH SUBSIDIARIES

### (a) Balances with a joint venture

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

	<b>2019</b> <b>RM'000</b>	2018 RM'000
TNV (VN)	<b>77</b>	84

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 2019 and 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 21 and 26.

### (b) Balances with associates

Particulars of loan to an associate are as follows:

	<b>2019</b> <b>RM'000</b>	2018 RM'000
FCV (VN)	<b>4,622</b>	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.

The Group applies the general approach to provide for ECL prescribed by IFRS 9. As at 31 December 2019 and 2018, there was no provision made against the loan to an associate as the ECL is immaterial.

Particulars of the amounts due from associates are as follows:

	<b>2019</b> <b>RM'000</b>	2018 RM'000
FCV (VN)	<b>1,189</b>	721
Skilltrain	<b>3,135</b>	–
	<b>4,324</b>	721

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 22. AMOUNTS DUE FROM A JOINT VENTURE AND ASSOCIATES AND BALANCES WITH SUBSIDIARIES *(Continued)*

### (b) Balances with associates *(Continued)*

The amounts due from associates are 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 2019 and 2018, there was no provision made against the amount due from associates 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 21 and 26.

### (c) Balances with subsidiaries

*Company*

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

## 23. DEFERRED TAXATION

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

	Intangible assets <i>RM'000</i>	Accelerated depreciation and industrial building allowances <i>RM'000</i>	Unabsorbed capital allowance <i>RM'000</i>	Unused tax losses <i>RM'000</i>	Other deductible temporary differences <i>RM'000</i>	Others <i>RM'000</i>	Total <i>RM'000</i>
At 1 January 2018	–	1,098	–	(17)	(370)	(34)	677
Recognised in profit or loss	–	(106)	(42)	(330)	(144)	15	(607)
At 31 December 2018 and 1 January 2019	–	992	(42)	(347)	(514)	(19)	70
Acquisition of a subsidiary	1,248	–	–	–	–	–	1,248
Initial application of IFRS 16	–	–	–	–	(12)	–	(12)
Recognised in profit or loss	(63)	42	(64)	338	(140)	88	201
Translation adjustments	(32)	–	–	(6)	(1)	–	(39)
At 31 December 2019	1,153	1,034	(106)	(15)	(667)	69	1,468

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 23. DEFERRED TAXATION *(Continued)*

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

	<b>2019</b> <b>RM'000</b>	2018 RM'000
Deferred tax assets	<b>(369)</b>	(673)
Deferred tax liabilities	<b>1,837</b>	743
	<b>1,468</b>	70

- (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:

	<b>2019</b> <b>RM'000</b>	2018 RM'000
Unused tax losses	<b>7,204</b>	309

The Group has not recognised deferred tax assets in respect of unused tax losses of RM7,204,000 as at 31 December 2019 (2018: RM309,000), as it is not probable that future taxable profits against which the losses and temporary differences can be utilised will be available in the relevant tax jurisdictions and entities. The tax losses of RM3,903,000 (2018: RM309,000) will expire in year 2023 to 2026 (2018: year 2025). Other tax losses may be carried forward indefinitely.

## 24. INVENTORIES

	<b>2019</b> <b>RM'000</b>	2018 RM'000
Raw materials	<b>8,548</b>	10,469
Work in progress	<b>3,068</b>	4,536
Finished goods	<b>8,168</b>	5,385
Other consumables	<b>1,408</b>	1,730
	<b>21,192</b>	22,120

Inventories written down and inventories written off during the year amounted to RM1,612,000 (2018: RM429,000) and RM67,000 (2018: RM Nil) respectively and are included in cost of sales.

During the years ended 31 December 2019 and 2018, the Group reversed RM110,000 and RM317,000 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.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 25. TIME DEPOSITS MATURING OVER THREE MONTHS

As at 31 December 2019, the time deposits maturing over three months of the Group with carrying amount of RM1,519,000 (2018: RM Nil) is pledged to a licensed bank as security for credit facilities granted to the Group as disclosed in Note 28. The time deposits maturing over three months is in SGD500,000 and at fixed interest rate of 0.6% p.a. and therefore are subject to foreign currency risk and fair value interest rate risk.

## 26. TRADE AND OTHER PAYABLES

	<b>2019</b> <b>RM'000</b>	2018 RM'000
Trade payables	<b>21,118</b>	4,375
Bills payable	<b>1,020</b>	3,096
Other payables	<b>10,559</b>	3,783
	<b>32,697</b>	11,254

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 2019 and 2018 are as follows:

	<b>2019</b> <b>RM'000</b>	2018 RM'000
Within 30 days	<b>5,015</b>	3,528
31–60 days	<b>6,587</b>	1,719
61–90 days	<b>3,428</b>	900
Over 90 days	<b>7,108</b>	1,324
Total	<b>22,138</b>	7,471

Included in the Group's trade payables are amounts due to the Group's joint venture and an associate of RM Nil (2018: RM2,000) and RM46,000 (2018: RM4,000) respectively which are repayable on credit terms similar to those offered by the joint venture and associate to its customers.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 27. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 December 2019 and 2018 and will be expected to be recognised within one year:

	<b>31 December 2019 RM'000</b>	31 December 2018 RM'000	1 January 2018 RM'000
Sale of goods	<b>1,159</b>	127	66

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

	<b>31 December 2019 RM'000</b>	31 December 2018 RM'000	1 January 2018 RM'000
Contract receivables (included in trade receivables)	<b>39,191</b>	14,525	14,978

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

	<b>RM'000</b>	RM'000
2019	<b>N/A</b>	127
2020	<b>1,159</b>	–
	<b>1,159</b>	127

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

	<b>2019 RM'000</b>	2018 RM'000
Revenue recognised in the year that was included in contract liabilities at beginning of the year	<b>127</b>	66

Significant changes in contract liabilities during the year:

	<b>2019 RM'000</b>	2018 RM'000
Increase due to operations in the year	<b>1,159</b>	127
Transfer of contract liabilities to revenue	<b>(127)</b>	(66)

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 28. BANK BORROWINGS

	2019 <i>RM'000</i>	2018 <i>RM'000</i>
Term loans (secured) (Note (a))	11,517	9,827
Bank overdraft (secured) (Note (b))	384	842
	<b>11,901</b>	10,669
Borrowings are repayable as follows:		
— Within one year	1,378	1,095
— after one year but within two years	1,550	265
— after two years but within five years	943	887
— after five years	8,030	8,422
	<b>11,901</b>	10,669
Less: Amount due within one year included in current liabilities	1,378	1,095
Amount included in non-current liabilities	<b>10,523</b>	9,574

Notes:

- (a) Term loans are interest-bearing at floating rates. The interest rates of the Group's term loans as at 31 December 2019 and 2018 ranged from 4.72% to 7.50% and 4.97% to 5.47% 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 2019 and 2018 is 8.89% and ranged 8.79% to 9.04% per annum respectively.
- (c) As at 31 December 2019 and 2018, the carrying amount of term loans from banks in Malaysia and Singapore that are not repayable within one year from the end of the reporting period but contains repayable on demand clause amounted to RM10,523,000 and RM9,574,000, respectively.

The directors of the Company have obtained legal opinion that, in accordance with the case laws established in Malaysia and Singapore, 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 and Singapore that contained a repayable on demand clause is classified as current and/or non-current liability as at 31 December 2019 and 2018 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 and Singapore 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.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 28. BANK BORROWINGS (Continued)

Notes:

- (d) As at 31 December 2019 and 2018, the Group's banking facilities are secured by:
- (i) a pledge over the Group's freehold land, long-term leasehold land, buildings and certain plant and machinery with a total carrying amount of RM11,293,000 and RM23,712,000 respectively, as disclosed in Note 16;
  - (ii) a pledge over the Group's right-of-use assets with a total carrying amount of RM5,114,000, as disclosed in Note 17; and
  - (iii) a pledge over the Group's time deposits maturing over three months with a total carrying amount of RM1,519,000 (2018: RMNil), as disclosed in Note 25.
- (e) As at 31 December 2019, the Group had aggregate bank borrowing facilities of approximately RM35,048,000 (2018: RM40,605,000), of which RM20,295,000 (2018: RM25,700,000) was unutilised as at the same date.

## 29. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Within one year	5,086	–	3,751	–
In the second to fifth years, inclusive	19,155	–	15,882	–
	<b>24,241</b>	–	<b>19,633</b>	–
Less: Future finance charges	<b>(4,608)</b>	–	<b>N/A</b>	N/A
Present value of lease liabilities	<b>19,633</b>	–		
Less: Amount due for settlement within 12 months (shown under current liabilities)			<b>(3,751)</b>	–
Amount due for settlement after 12 months			<b>15,882</b>	–

At 31 December 2019, the average effective borrowing rate was ranged from 3.5% to 7.5%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 30. PROVISION FOR RESTORATION COSTS

	<b>2019</b> <i>RM'000</i>	2018 <i>RM'000</i>
<b>Non-current</b>		
Provision for restoration costs	<b>633</b>	–

Provision for restoration costs comprises estimates of reinstatement costs for stores upon termination of tenancy.

A reconsolidation of the provision for restoration cost is as follows:

	<b>2019</b> <i>RM'000</i>	2018 <i>RM'000</i>
At 1 January	–	–
Recognised in right-of-use assets	<b>602</b>	–
Recognised in profit or loss	<b>30</b>	–
Transaction adjustment	<b>1</b>	–
At 31 December	<b>633</b>	–

## 31. SHARE CAPITAL

	<b>Number</b> <i>'000</i>	<b>Amount</b> <i>HK\$'000</i>	
Ordinary shares of HK\$0.1 each			
Authorised:			
At 1 January 2018, 31 December 2018 and 31 December 2019	1,000,000		100,000
	<b>Number</b> <i>'000</i>	<b>Amount</b> <i>HK\$'000</i>	<b>Amount</b> <i>RM'000</i>
Issued and fully paid:			
At 1 January 2018 and 31 December 2018	504,000	50,400	27,285
Issue of shares ( <i>Note</i> )	56,000	5,600	2,970
At 31 December 2019	560,000	56,000	30,255

*Note:*

On 12 March 2019, the Company entered into the sale and purchase agreement (the “**S&P Agreement**”) with Triumph Star Global Limited (the “**Vendor**”) to acquire the entire issued share capital of Meinaide Holdings Group Limited (the “**Acquisition**”) for the consideration of its allotment and issue of 56,000,000 new shares in the Company (the “**Consideration Shares**”), credited as fully paid, at HK\$2.50 per Consideration Share to the Vendor upon completion that took place on 28 June 2019. The fair value of consideration share as at 28 June 2019 was HK\$2.70.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 32. 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) *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.

(c) *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.

### The Company

	Share premium <i>RM'000</i>	Contributed surplus <i>RM'000</i>	Exchange translation reserve <i>RM'000</i>	Accumulated losses <i>RM'000</i>	Total <i>RM'000</i>
At 1 January 2018	3,609	68,936	(615)	(10,023)	61,907
Loss for the year	–	–	–	(1,207)	(1,207)
Other comprehensive income	–	–	2,004	–	2,004
At 31 December 2018	3,609	68,936	1,389	(11,230)	62,704
Loss for the year	–	–	–	(42,589)	(42,589)
Other comprehensive expenses	–	–	(2,126)	–	(2,126)
Issue of shares	77,215	–	–	–	77,215
At 31 December 2019	<b>80,824</b>	<b>68,936</b>	<b>(737)</b>	<b>(53,819)</b>	<b>95,204</b>

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.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 33. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

## 34. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2019 RM'000	2018 RM'000
<b>Non-current asset</b>			
Interests in subsidiaries	35	115,463	71,589
<b>Current assets</b>			
Other receivables		135	139
Amounts due from subsidiaries	22(c)	11,664	10,572
Cash and bank balances		62	8,296
		<b>11,861</b>	19,007
<b>Current liabilities</b>			
Other payables		1,067	357
Amounts due to subsidiaries	22(c)	798	250
		<b>1,865</b>	607
<b>Net current assets</b>		<b>9,996</b>	18,400
<b>NET ASSETS</b>		<b>125,459</b>	89,989
<b>Equity</b>			
Share capital	31	30,255	27,285
Reserves	32	95,204	62,704
<b>TOTAL EQUITY</b>		<b>125,459</b>	89,989

On behalf of the Board

**Dato' Lua Choon Hann**  
Director

**Mr. Yang Guang**  
Director

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 35. INTEREST IN SUBSIDIARIES

Details of the subsidiaries during the Financial Year, 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 the operation	Issued and paid-up capital	Effective interest held by the Company		Principal activities
			2019	2018	
<b>Directly held subsidiaries</b>					
FIPB	British Virgin Islands 28 December 2016	USD101	100%	100%	Investment holding
Premier Management International Limited	Hong Kong 25 November 2016	HK\$1	100%	100%	Investment holding
Delightful Grace Holdings Limited	British Virgin Islands 8 February 2019	HK\$1	100%	N/A	Investment holding
Meinaide Holdings Group Limited	British Virgin Islands 20 February 2019	USD50,000	100%	N/A	Investment holding
<b>Indirectly held subsidiaries</b>					
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 marketing of rubber strips and sheets
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



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 35. INTEREST IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation and place of the operation	Issued and paid-up capital	Effective interest held by the Company		Principal activities
			2019	2018	
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	RM32,350,000	100%	100%	Investment holding and trading of machinery and accessories
PP Retail Pte. Ltd.	Singapore 11 April 2018	SGD500 (2018: SGD1)	100%	100%	Retail sale of clothing, footwear and ancillary products
Fly High Finance Limited	Hong Kong 17 April 2019	HK\$1	100%	N/A	Money lending
Rich Day Global Limited	British Virgin Islands 28 October 2019	USD10,000	100%	N/A	Dormant
Meinaide Technology Development Limited	Hong Kong 14 February 2019	HK\$1	100%	N/A	Trading and sale of PVC and other plastic products
Perfect Moral Ventures Limited	Hong Kong 22 January 2019	HK\$1	100%	N/A	Investment holding
Jiangmenshi Meinaide Technology Company Limited	People's Republic of China 5 March 2009	RMB1,222,200	100%	N/A	Production and sale of PVC and other plastic products

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 36. ACQUISITION OF SUBSIDIARIES

### (a) Acquisition of Meinaide

On 12 March 2019, the Company entered into the sale and purchase agreement (the "**S&P Agreement**") with Triumph Star Global Limited (the "**Vendor**") to acquire the entire issued share capital of Meinaide Holdings Group Limited (the "**Acquisition**") for the consideration of its allotment and issue of 56,000,000 new shares in the Company (the "**Consideration Shares**"), credited as fully paid, at HK\$2.50 per Consideration Share to the Vendor upon completion that took place on 28 June 2019. The fair value per consideration share as at 28 June 2019 was HK\$2.70

The fair value of the identifiable assets and liabilities of Meinaide acquired as at its date of acquisition is as follows:

	2019 RM'000
Net assets acquired of:	
Property, plant and equipment	1,177
Right-of-use assets	496
Inventories	4,217
Trade and other receivables	11,863
Cash and bank balances	1,037
Lease liabilities	(501)
Trade and other payables	(5,572)
Current tax liabilities	(1,497)
	<hr/> 11,220
Other financial assets — profit guarantee at fair value	2,593
Intangible assets — customer relationship	5,502
Deferred tax liabilities	(1,248)
Goodwill	62,118
	<hr/> 80,185
Total consideration transferred	<hr/> 80,185
Satisfied by:	
56,000,000 ordinary shares of the Company	80,185
	<hr/>
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	1,037
	<hr/>

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 36. ACQUISITION OF SUBSIDIARIES *(Continued)*

### (a) Acquisition of Meinaide *(Continued)*

The fair value of the trade and other receivables acquired is approximately RM11,863,000. There is no trade and other receivables is expected to be uncollectible.

The fair value of the 56,000,000 ordinary shares of the Company issued as part of the consideration paid was determined on the basis of the closing market price of the Company's ordinary shares on the acquisition date.

The goodwill arising on the acquisition of Meinaide is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Meinaide contributed approximately RM37,911,000 and RM4,941,000 to the Group's revenue and profit for the year respectively for the period between the date of acquisition and the end of the reporting period.

The profit for the year of Meinaide for the financial year ended 31 December 2019 amounted to RMB10,927,000 (equivalent to RM6,557,000), which was exceeded the profit guarantee of RMB10,000,000 (equivalent to RM6,001,000) stated in the S&P Agreement.

If the acquisition had been completed on 1 January 2019, total Group revenue (included discontinued operation) for the year would have been RM155,960,000, and loss for the year would have been RM49,186,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is intended to be a projection of future results.

## 37. 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	2019 RM'000	2018 RM'000
TNV (VN)	Joint venture	Sales of goods	1,241	1,446
		Provision of services	134	63
		Purchase of materials	(60)	(67)
		Commission received/ receivable	91	90
		Rental income	101	99
		Dividend received	308	291
		FCV (VN)	Associate	Interest income
Commission income	172			109
Business development fee	211			206
Sales of goods	55			66
Purchase of materials	–			(114)

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 37. RELATED PARTY TRANSACTIONS (Continued)

### (a) (Continued)

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 12.

## 38. CAPITAL COMMITMENTS

	2019 <i>RM'000</i>	2018 <i>RM'000</i>
Commitments for the acquisition of property, plant and equipment: contracted for but not provided	–	1,707

## 39. CONTINGENT LIABILITY

	2019 <i>RM'000</i>	2018 <i>RM'000</i>
Corporate guarantee given to a bank for credit facilities granted to an associate-unsecured		
— Limit of guarantee	2,046	2,086
— Amount utilised	2,046	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.

The fair value of the cross guarantee at date of inception is not material and is not recognised in the financial statements.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

### Change in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year.

	Other interest payable RM'000	Lease liabilities RM'000	Bank borrowings (excluding bank overdraft) RM'000	Total RM'000
At 1 January 2019, as previously reported	–	–	9,827	9,827
Initial application of IFRS 16	–	5,911	–	5,911
At 1 January 2019, as restated	–	5,911	9,827	15,738
Changes for cash flows:				
Drawdown of bank borrowings	–	–	2,277	2,277
Repayment of bank borrowings	–	–	(589)	(589)
Repayment of lease liabilities	–	(2,570)	–	(2,570)
Interest paid on bank borrowings	(354)	–	(531)	(885)
Total changes from financing cash flows:	(354)	(2,570)	1,157	(1,767)
Exchange adjustments:	–	(94)	2	(92)
Other changes:				
Acquisition of a subsidiary	–	501	–	501
New leases	–	16,900	–	16,900
Lease liabilities reclassified to liabilities directly associated with the assets held for sale	–	(2,082)	–	(2,082)
Interest expenses	354	1,067	531	1,952
Total other changes:	354	16,386	531	17,271
As at 31 December 2019	–	19,633	11,517	31,150

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW (Continued)

### Change in liabilities arising from financing activities (Continued)

	Other interest payable RM'000	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 borrowings	–	–	(728)	(728)
Repayment of obligations under finance leases	–	(610)	–	(610)
Interest paid on bank borrowings	(209)	–	(418)	(627)
Interest paid on obligations under finance leases	–	(22)	–	(22)
Total changes from financing cash flows:	(209)	(632)	(1,146)	(1,987)
Exchange adjustments:	–	–	(9)	(9)
Other changes:				
Interest expenses	209	–	418	627
Finance charges on obligations under finance leases	–	22	–	22
Total other changes:	209	22	418	649
As at 31 December 2018	–	–	9,827	9,827

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 41. EVENTS AFTER THE REPORTING PERIOD

On 10 January 2020, the Group entered into the Capital Transfer Agreement with the Purchaser pursuant to which the Purchaser has conditionally agreed with the Group to (i) acquire the entire registered and paid-in charter capital of USD2,100,000 of PEWAV (VN) and (ii) pay the agreed amount of inter-company loans and debts owed by PEWAV (VN) as at 10 January 2020, being the date of the Capital Transfer Agreement for a total consideration of USD2,945,911 (equivalent to approximately RM12,028,155), subject to and upon the terms and conditions of the Capital Transfer Agreement. The Disposal constituted a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. Further details in relation to the Disposal were disclosed in the announcements dated 10 January 2020 and 13 February 2020.

The outbreak of COVID-19 pandemic is expected to adversely affect the global economy due to lockdowns in various countries, supply chain disruptions and upheavals in the financial markets. The Group's financial performance may be impacted due to disruption of global supply chain, volatility of commodity prices and fluctuation of foreign currencies as large portion of our manufactured products are exported and there are temporary closure of malls during the lockdown and decrease in tourists arrival. Meanwhile, due to the inherent nature and unpredictability of future development of the COVID-19 pandemic and market sentiment, further changes in economic conditions arising thereof may have impact on the financial results of the Group, the extent of which could not be reasonably estimated as at the date of these financial statements. The Group will closely monitor the development of epidemic and assess its impact on the financial position and operating results of the Group.

## 42. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 6 May 2020.

# Financial Summary

FOR THE YEAR ENDED 31 DECEMBER 2019

A summary of the results, and of the assets and liabilities of the Group for the last five 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				2019 RM'000
	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000 (Re-presented)	
<b>Continuing operations</b>					
Revenue	89,034	97,937	109,745	73,639	<b>125,938</b>
Profit/(Loss) before income tax expense	6,886	7,994	10,476	4,239	<b>(45,036)</b>
Income tax expense	(1,510)	(1,326)	(1,902)	(1,111)	<b>(1,854)</b>
Profit/(Loss) for the year from continuing operations	5,376	6,668	8,574	3,128	<b>(46,890)</b>
<b>Discontinued operation</b>					
Loss for the year	–	–	–	(2,202)	<b>(3,936)</b>
Profit/(Loss) for the year	5,376	6,668	8,574	926	<b>(50,826)</b>
Profit/(Loss) attributable to:					
Owners of the Company					
— from continuing operations	5,636	6,826	8,804	3,128	<b>(46,890)</b>
— from discontinued operation	–	–	–	(2,202)	<b>(3,936)</b>
Non-controlling interest	(260)	(158)	(230)	–	–
	5,376	6,668	8,574	926	<b>(50,826)</b>

## ASSETS AND LIABILITIES AND NON CONTROLLING INTERESTS

	As at 31 December				2019 RM'000
	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	
Total assets	112,809	121,309	123,920	121,897	<b>203,898</b>
Total liabilities	(41,526)	(45,292)	(26,314)	(23,235)	<b>(78,439)</b>
Total equity	71,283	76,017	97,606	98,662	<b>125,459</b>
Equity attributable to owners of the Company	71,099	75,994	97,606	98,662	<b>125,459</b>
Non-controlling interest	184	23	–	–	–
Total equity	71,283	76,017	97,606	98,662	<b>125,459</b>