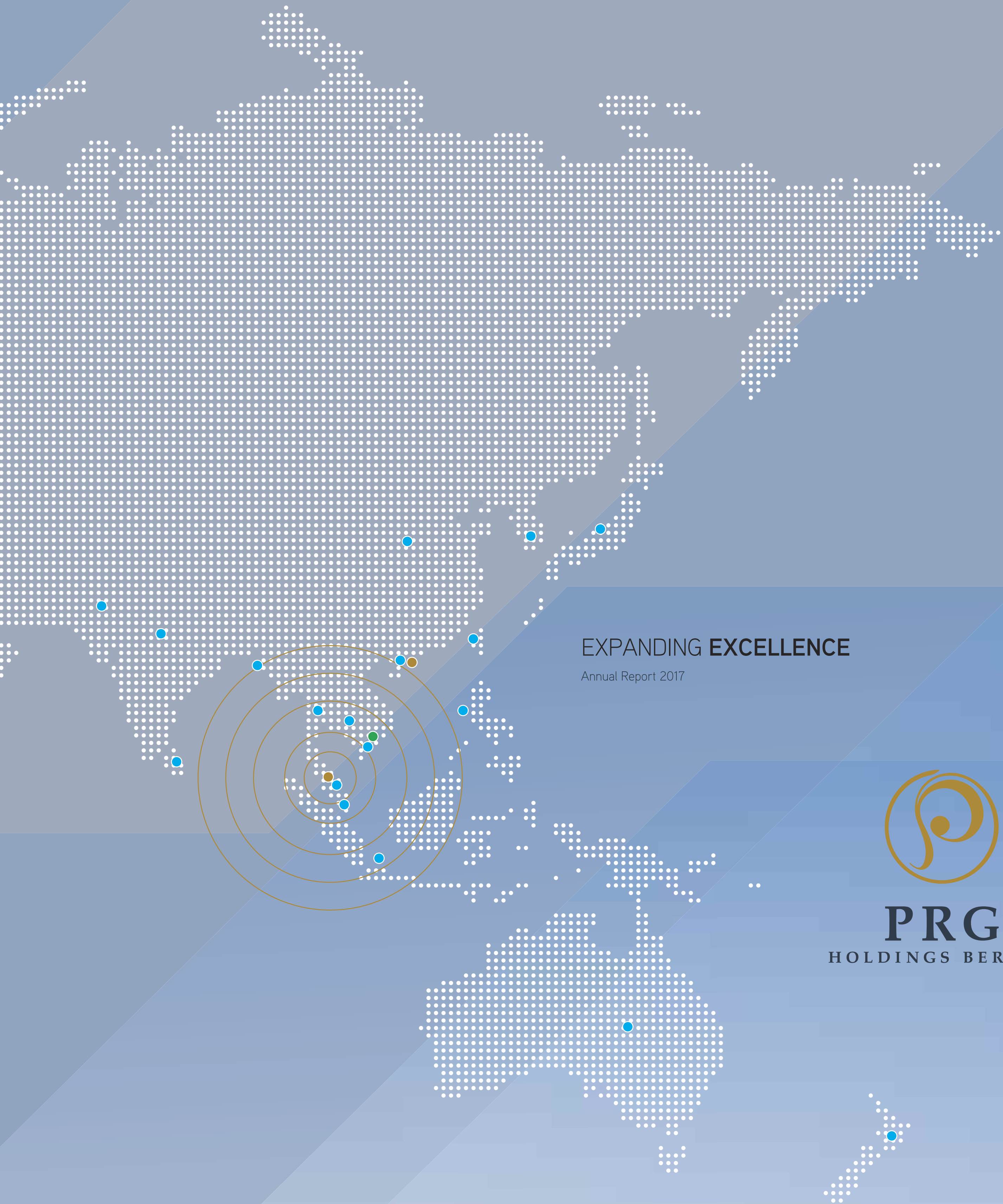
EXPANDING **EXCELLENCE**

Annual Report 2017



PRG
HOLDINGS BERHAD

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CORPORATE PROFILE

PRG Holdings Berhad ("PRG" or "the Company") was incorporated on 13 March 2001 under the name Furniweb Industrial Products Berhad and listed on 16 October 2003 on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities"). Pursuant to the merger of the Main Board and Second Board into a single board, the Company was listed on the Main Market of Bursa Securities with effect from 3 August 2009.

PRG and its subsidiaries ("the Group") started operations in 1983 in Malaysia as a partnership producing furniture webbing and subsequently expanding its products to covered elastic yarn by setting up a private limited company in 1987. In 1997, the Group established its operation in Vietnam to take advantage of the potential and business prospects, such as the availability of labour at competitive costs and the introduction of favourable taxation environment for foreign investments, in the Vietnamese market. Notwithstanding the development in Vietnam, the Group's headquarters remain located in Malaysia. The Group has since diversified into niche products for textile and apparel, furniture, automotive, food packaging and medical industries.

On 30 July 2014, the Group diversified its core business to include property development after completion of a few corporate exercises. In order to strengthen the Company's brand image and to reflect more aligned business direction of the Group, the Company's name was changed to PRG Holdings Berhad on 26 January 2015.

With the diversification of the Group's principal activities to include property development, the Construction Division was established to complement its property development activities. The Group obtained the approval of its shareholders to diversify the existing core business to include construction business on 12 January 2016.

On 16 October 2017, the Company had successfully listed its Manufacturing Division on the GEM of the Stock Exchange of Hong Kong Limited ("HKEX") via Furniweb Holdings Limited (Stock Code: 8480) by way of public offer and placement of 126 million shares ("Share Offer"). Following the completion of the Share Offer, the Company directly holds 75.0% interest in Furniweb Holdings Limited.

PRG STANDS FOR PREMIER GROUP

The name Premier Group denotes our commitment to strive to deliver the best in everything that we do, be it, our products, our concept, our service, our quality and value add to our stakeholders.

To achieve such ideals, we must walk the talk by ensuring that we will always continue to innovate and place the interest of our customers as priority in developing our products. We also need to understand and cater to the needs of the customers, and create developments that are relevant and appropriate with eco-friendliness and sustainability as part of our concept.

The above will set a platform for us to ensure that we consistently strive for excellence in all our business endeavours, not forgetting our commitments to the society and also placing priority to our staff and creating an environment that is conducive to excel.

PRG VALUES

VISION

To be a premier company of choice for our stakeholders both locally and internationally.

MISSION

- Customer oriented
- Innovative products
- Creating values for customer and stakeholders

CORE VALUES

- **Integrity**
  We act with professionalism in all our dealings and always deliver on our promise.
- **Commitment**
  We are fully committed to what we do, constantly challenging ourselves to serve better and to excel in every opportunity.
- **Competency**
  We drive efficiency by always looking for the ways to better ourselves and our team performances, effectiveness and productivity.
- **Teamwork**
  We value team spirit and place communication and sharing information as the key to our goals.
- **Respect**
  We advocate the assimilation of difference in our cultures in acknowledging differences of opinions, cultures and contributions, treating everyone with respect and create an environment for mutual respect.
- **Innovation**
  We promote and recognise creative thinking as key to creating the best value to our stakeholders.
- **Customer**
  We aspire to maximise values and satisfaction to our customer by creating quality products, excellence service, value added and concept that give our customer a better quality of life.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Dr. Awang Adek bin Hussin
Independent Non-Executive Chairman

Dato' Lua Choon Hann
Group Managing Director

Dato' Wee Cheng Kwan
Managing Director - Property & Construction

Datuk Dr. Wong Lai Sum
Independent Non-Executive Director

Dato' Hamzah bin Mohd Salleh
Independent Non-Executive Director

Lim Chee Hoong
Independent Non-Executive Director

Na Chun Wee
Executive Director

Dato' Yau Kok Seng
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Lim Chee Hoong (Chairman)
Dato' Hamzah bin Mohd Salleh
Datuk Dr. Wong Lai Sum

NOMINATION COMMITTEE

Dato' Hamzah bin Mohd Salleh (Chairman)
Datuk Dr. Wong Lai Sum
Lim Chee Hoong

REMUNERATION COMMITTEE

Datuk Dr. Wong Lai Sum (Chairman)
Dato' Hamzah bin Mohd Salleh
Lim Chee Hoong

COMPANY SECRETARIES

Yeoh Chong Keat (MIA 2736)
Lim Fei Chia (MAICSA 7036158)

REGISTERED OFFICE

Suite 11.1A
Level 11, Menara Weld
76 Jalan Raja Chulan
50200 Kuala Lumpur
Tel: (603) 2031 1988
Fax: (603) 2031 9788

PRINCIPAL PLACE OF BUSINESS

Corporate Office and Property Development & Construction Division:
Lot C601, Capital 3, Oasis Square
No. 2, Jalan PJU 1A/7A
Ara Damansara
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: (603) 7859 0877
Fax : (603) 7859 0977

Manufacturing Division:
Lot 1883, Jalan KPB 9
Kg. Bharu Balakong
43300 Seri Kembangan
Selangor Darul Ehsan
Tel: (603) 8961 2278
Fax : (603) 8961 2340

AUDITORS

BDO (Firm No. AF 0206)
Level 8
BDO @ Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur

SHARE REGISTRAR

Bina Management (M) Sdn. Bhd.
(50164-V)
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan
Tel: (603) 7784 3922
Fax: (603) 7784 1988

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Code : 7168
Stock Name : PRG

MAILING ADDRESS

G.P.O. Box 11279
50740 Kuala Lumpur
E-mail: enquiry@prg.com.my
Website: www.prg.com.my

PRINCIPAL BANKERS

Alliance Islamic Bank Berhad
(776882-V)
7-G & 9-G, Jalan PJU 5/20
Pusat Perdagangan Kota Damansara
PJU5 Kota Damansara
47810 Petaling Jaya
Selangor Darul Ehsan

China Construction Bank (Asia) Corporation Limited
Suite 2508-11 25/F Tower 6
The Gateway Harbour City Kowloon
Hong Kong

Hong Leong Bank Berhad (97141-X)
Level 1, Wisma Hong Leong
18, Jalan Perak, 50450 Kuala Lumpur

Malayan Banking Berhad (3813-K)
37th Floor, Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur

Public Bank Berhad (6463-H)
F-07, F-08 & F-09, Jalan SS 6/5B
Dataran Glomac
Pusat Bandar Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan

Public Bank Vietnam
Ho Chi Minh City Branch
No. 88 Nguyen Du, Ben Nghe Ward
District 1, Ho Chi Minh City, Vietnam

United Overseas Bank (Malaysia) Berhad (271809-K)
Menara UOB, Jalan Raja Laut
50350 Kuala Lumpur

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

CORPORATE STRUCTURE

PRG HOLDINGS BERHAD

MANUFACTURING DIVISION

- 75% FURNIWEB HOLDINGS LIMITED (CT-320362)
  - 100% FIPB INTERNATIONAL LIMITED (1932619)
    - 100% Texstrip Manufacturing Sdn. Bhd. (171110-T)
    - 100% TS Meditape Sdn. Bhd. (328928-W)
    - 100% Furniweb Manufacturing Sdn. Bhd. (164933-H)
      - 100% Furniweb Safety Webbing Sdn. Bhd. (391112-U)
      - 100% Syarikat Sri Kepong Sdn. Bhd. (21161-X)
      - 50% Trunet (Vietnam) Co. Ltd. (3600499883)
    - 100% Webtex Trading Sdn. Bhd. (131288-K)
      - 99.9995% Furniweb (Vietnam) Shareholding Company (3600259680)
        - 45.06% Furnitech Components (Vietnam) Co. Ltd. (3600691668)
      - 42.86% Premier Elastic Webbing & Accessories (Vietnam) Co. Ltd. (3600526174)

0.00025%

0.00025%

57.14%

CORPORATE STRUCTURE (CONT'D)

PROPERTY DEVELOPMENT & CONSTRUCTION DIVISION

- 100% PRG Property Sdn. Bhd. (formerly known as Premier Gesture Sdn. Bhd.) (561566-V)
  - 100% Premier PMC Sdn. Bhd. (1091731-D)
  - 100% Premier Construction Sdn. Bhd. (1061330-H)
  - 60% Premier De Muara Sdn. Bhd. (1068541-X)
  - 51% Premier Baycity Sdn. Bhd. (1189674-D)
- 100% PRG Construction Sdn. Bhd. (1236883-P)
  - 100% Premier Construction (International) Sdn. Bhd. (1228195-V)
  - 25% Premier Mirach Sdn. Bhd. (1237966-A)
- 100% Premier JPC Sdn. Bhd. (1242022-P)
  - 49% Premier Aspirasi Development Sdn. Bhd. (1240852-A)
    - 100% Premier Aspirasi (Batu Gajah) Sdn. Bhd. (1242450-W)

OTHER DIVISIONS

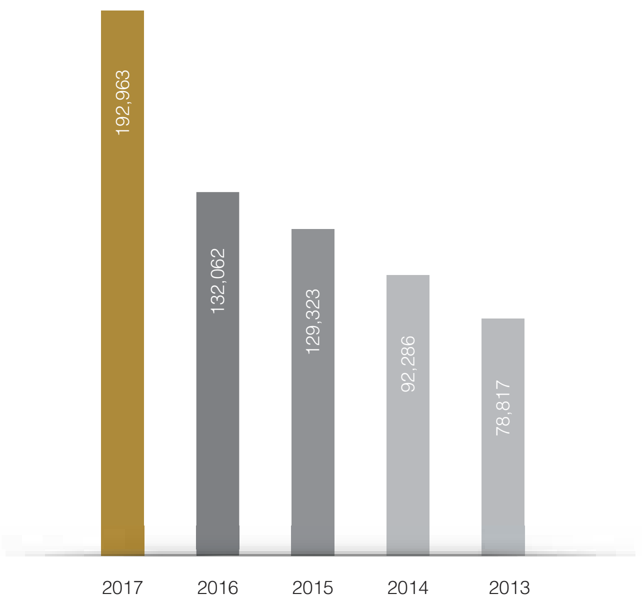
- 100% PRG Healthcare Sdn. Bhd. (formerly known as PRG Ventures Sdn. Bhd.) (1202189-K)
- 100% PRG Agro Sdn. Bhd. (formerly known as PRG Global Sdn. Bhd.) (1231666-P)
  - 100% Premier International Marketing Sdn. Bhd. (1226880-W)
  - 100% Premier Food Processing Sdn. Bhd. (1235155-T)
  - 100% Premier Electrify Sdn. Bhd. (1202193-U)
- 100% PRG Asset Sdn. Bhd. (1234065-P)
- 100% PRG Asset Holdings Sdn. Bhd. (1271473-M)
  - 100% PRG Land Sdn. Bhd. (1272524-A)
- 100% PRG Management Services Sdn. Bhd. (1244180-T)

MALAYSIA
VIETNAM
CAYMAN ISLANDS
BRITISH VIRGIN ISLANDS

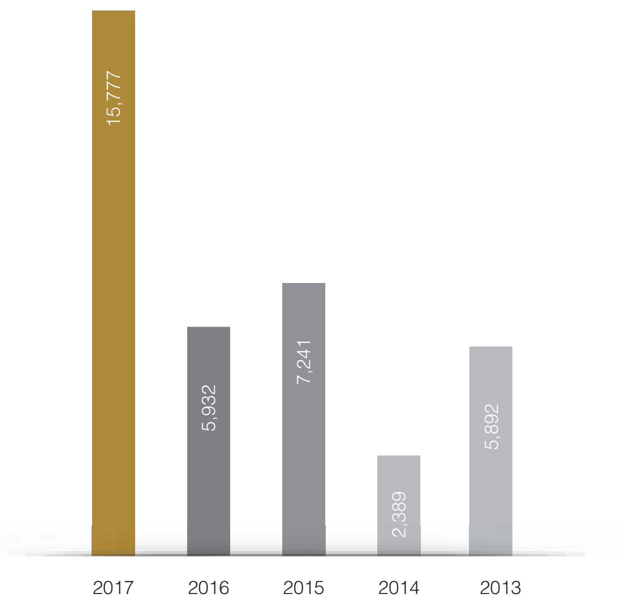
Notes: Updated as at 31 March 2018

GROUP FINANCIAL HIGHLIGHTS

Financial Year Ended 31 December		2017	2016	2015	2014	2013
Operating Results						
Revenue	RM'000	192,963	132,062	129,323	92,286	78,817
Profit Before Tax	RM'000	15,777	5,932	7,241	2,389	5,892
Profit Attributable To Shareholders	RM'000	4,358	4,263	6,075	2,374	4,746
Financial Position						
Total Assets	RM'000	380,855	287,457	268,119	237,626	97,070
Total Borrowings	RM'000	28,569	50,952	79,555	65,792	9,259
Total Cash And Bank Balances	RM'000	42,023	20,504	24,057	16,083	10,457
Shareholders' Equity	RM'000	135,780	123,902	116,837	108,298	77,179



Revenue
(RM'000)

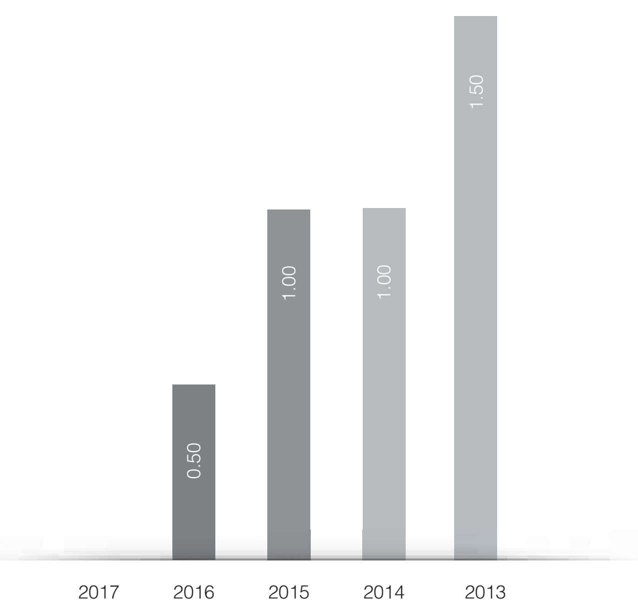


PROFIT BEFORE TAX
(RM'000)

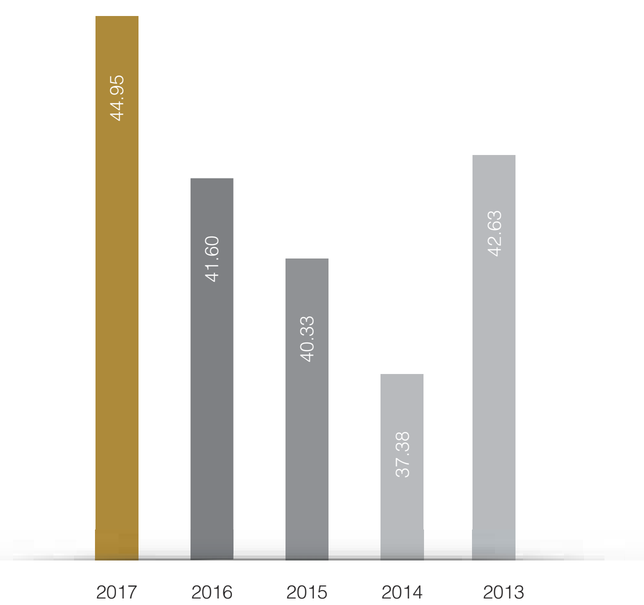
GROUP FINANCIAL HIGHLIGHTS (CONT'D)

Financial Year Ended 31 December		2017	2016	2015	2014	2013
Financial Ratios						
Return On Equity	%	3.21	3.44	5.20	2.19	6.15
Return On Revenue	%	2.26	3.23	4.70	2.57	6.02
Debt/Equity	%	21.04	41.12	68.09	60.75	12.00
Net Gearing Ratio	times	Net Cash	0.25	0.48	0.46	Net Cash
Share Information						
Gross Dividends Per Share	sen	-	0.50	1.00	1.00	1.50
Basic Earnings Per Share**	sen	1.46	1.44	2.10	0.99	2.45
Net Assets Per Share**	sen	44.95	41.60	40.33	37.38	42.63

** Adjusted for share split (2013 - 2015)



GROSS DIVIDENDS PER SHARE
(sen)



NET ASSETS PER SHARE
(sen)

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors of PRG Holdings Berhad ("PRG"), it is my pleasure to present you the Annual Report and Audited Financial Statements of the Company and PRG Group for the financial year ended 31 December 2017 ("FY2017"). In FY2017, PRG registered a profit after tax of RM10.8 million, on the back of a revenue of RM193.0 million, this represents a significant growth from last year.

DATO' DR. AWANG ADEK BIN HUSSIN
CHAIRMAN

INDUSTRY TRENDS

As for the overall property market, the first half of 2017 saw the overhang of completed units hitting a high of RM12.3 billion, up 40% year-on-year. Most of these unsold units which were launched several years ago comprised high-rise units with selling prices in excess of RM500,000 per unit. Although consumer confidence has since improved and asking prices have decreased, the key issues of affordability, rising cost of living, and tight financing will cause a dampening effect on the property market in the foreseeable future. Despite the softening of the property market, the Group believes there is still demand for properties, provided the right kind of products at the right price and location are available in the market.

While the construction sector is at a moderate pace, it is anticipated to grow, driven by the public mega infrastructure and affordable housing segments. The growth outlook is expected to be anchored by private consumption and sustained by improved labour market conditions. Taking advantage of the positive prospects, PRG will continue to respond rapidly to the challenging business environment in order to maintain our current business divisions, for now and the years to come.

The International Monetary Fund, in its world economic outlook, forecasts a global growth rate of 3.9% for 2018. Global trade activities are progressively strengthening, underpinned by a faster and broader-based growth in the advanced economies of United States, Eurozone and Japan. The growth in these regions is fuelled by private consumption, business investment and external demand in their respective economies. In addition, the emerging economies of China, India, South Korea and ASEAN nations during the financial year also contributed positively to the global growth forecast.

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

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT (CONT'D)

STRATEGIC REVIEW

In FY2017, we delivered an unprecedented transformation of our business. This has been an outstanding year of progress for PRG, with the Group again proving its growth credentials and enhancing its reputation as an innovator in the industry. In the year under review, we have secured important contracts and momentous corporate exercises, along with our joint venture partners.

In June 2017, we had entered into a Memorandum of Understanding ("MOU") with SPNB Aspirasi Sdn. Bhd. ("SASB"), a wholly-owned company by Syarikat Perumahan Negara Berhad ("SPNB") for housing development projects worth approximately RM5 billion. Subsequently, in September 2017, both parties entered into a shareholders' agreements to formalise the commitment in the MOU. The first housing project with SPNB in Perak was kicked off in October 2017. The Group is still evaluating the feasibility of other housing projects with SPNB, the Group will update our shareholders from time to time on the latest development.

During the year, the Group also teamed up with a few established partners such as Jiangsu Provincial Construction (M) Sdn. Bhd. ("JPC") and Mingfa Group (Global) Investments Holdings Limited ("Mingfa"). With JPC's exemplary track records in construction industry, we believe the Group will be able to deliver the housing projects with SPNB. We also confident with the collaboration with Mingfa, a Hong Kong based property developer which founded since 1994, will create synergies and able to furnish more compelling value propositions to the market.

On 16 October 2017, we have successfully listed our Manufacturing Division - Furniweb Holdings Limited ("Furniweb") on the GEM of HKEX, and the net proceeds from the listing amounted to HK$35.6 million (equivalent to approximately RM19.2 million) will be utilised to strengthen the production capabilities of the Group and build its products and market globally. This also marks an important milestone for the Group and opens up new funding avenues for Furniweb for its future expansion.

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

In order to seek balanced growth with resilience against possible downturns in the market, PRG has proposed to enter into healthcare business by acquiring 100% stake in Roopi Medical Centre Sdn. Bhd. ("Proposed Acquisition") and 25% stake of Esther Postpartum Care Sdn. Bhd. respectively. The Proposed Acquisition and proposed diversification to include healthcare business are subject to shareholders' approval, which will be obtained in an Extraordinary General Meeting. We believe this proposed diversification will provide additional revenue streams for the Group going forward.

With all these plans and business strategies in place, it will set the path for the Group for a very exciting moment going forward.

APPRECIATION

On behalf of the Board, I would like to thank Dato' Lim Heen Peok, who has resigned as the Chairman of PRG, for his enormous contribution to the Group's success. I would also like to take this opportunity to introduce Mr. Na Chun Wee and Dato' Yau Kok Seng to the Board. The Board believes they will bring new thinking to how the Group operates in today's operating environment, whilst at the same time harnessing the momentum evident in current performance.

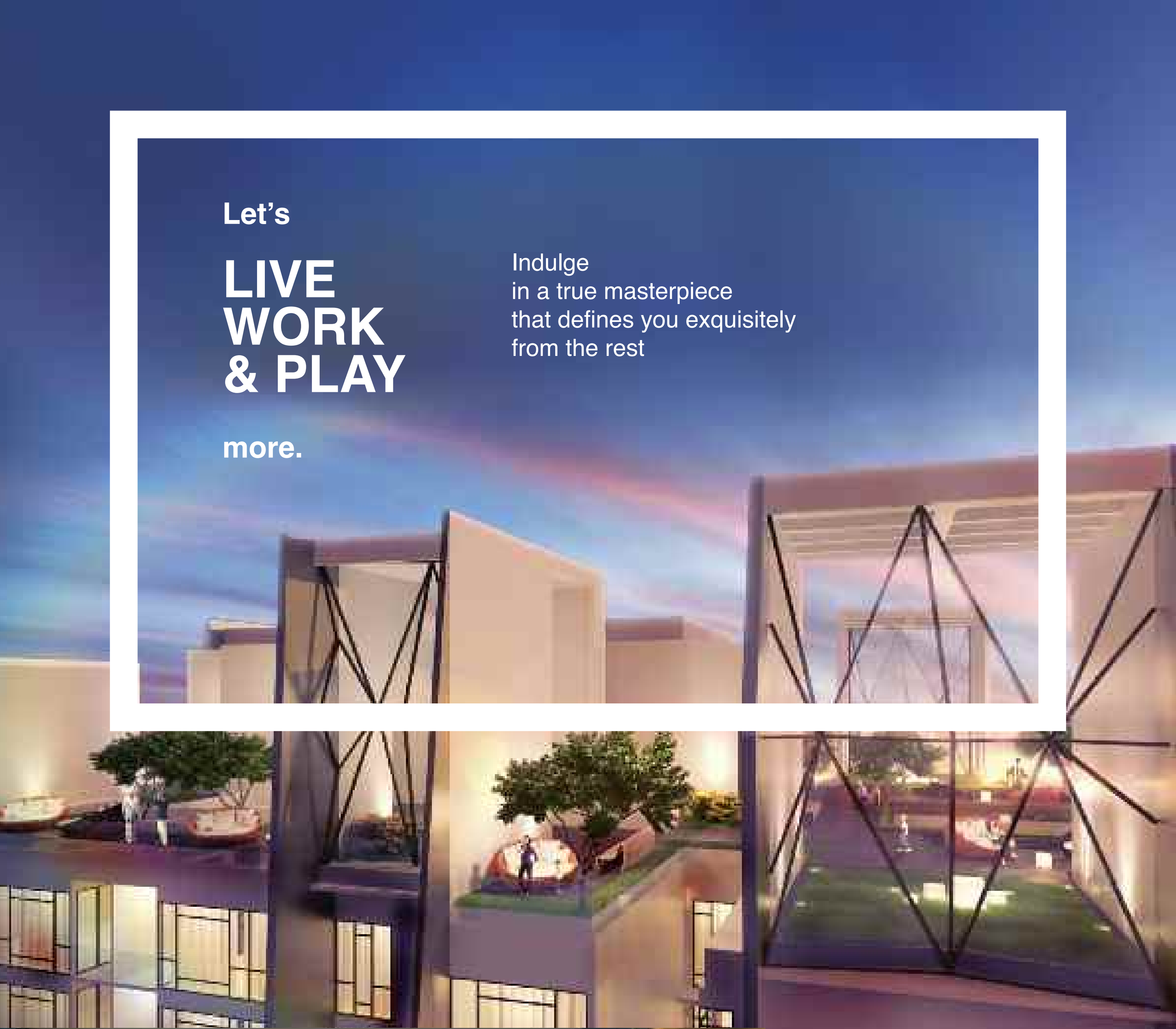
Dato' Dr. Awang Adek Bin Hussin
Independent Non-Executive Chairman

Let's

LIVE
WORK
& PLAY

more.

Indulge
in a true masterpiece
that defines you exquisitely
from the rest



GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

Dear Valued Shareholders,

I would like to thank you for your continuous trust and support for the Company. This year is a busy year for our Group. The first significant event was the listing of the shares of Furniweb Holdings Limited (our Manufacturing Division), on the GEM of the HKEX on 16 October 2017. This marked a step of the Group towards its next stage of growth in the global market. Apart from that, several collaboration agreements were signed with established partners such as SPNB, JPC & Mingfa to continue building up Property Development & Construction Division in becoming one of the significant market players. Subject to shareholders approval, our Group has also identified healthcare as a potential sector to diversify into with a potential to grow our revenue and improve returns.

FINANCIAL REVIEW

During FY2017, the Group recorded total revenue of RM193.0 million, an increase of 46% as compared to total revenue of RM132.1 million recorded last year. The profit before tax for FY2017 increased to RM15.8 million from RM5.9 million, an increase of RM9.9 million or 168% as compared to its previous corresponding year. Should the non-recurring listing expenses of Furniweb amounted RM10.8 million (2016: RM3.1 million) and one-off recognition of gain on disposal of part of Group's interest in FCV (VN) of RM6.8 million (2016: NIL) be excluded, the Group would record an adjusted profit before tax of RM19.8 million (2016: RM9.0 million), representing an increase of RM10.8 million or 120% as compared to last year.

The increase in revenue and profit before tax for FY2017 was mainly contributed by better performance in Property Development & Construction and Manufacturing Divisions.

Nevertheless, the Group's financial position remains healthy with a net cash position with a total cash pile of RM42.0 million and borrowings of RM28.6 million, which provides us ample room to grow. The Group's high cash balance arose mainly from surplus listing proceeds after setting off the listing expenses and utilisation to fund the expansion of production capacity.

Total assets increased from RM287.5 million to RM380.9 million in FY2017. As at 31 December 2017, the shareholders' equity of the Company was RM164.7 million. The net assets per share at the end of current financial year of RM0.45 per share improved over prior year's RM0.42 per share.

DATO ' LUA CHOON HANN
GROUP MANAGING DIRECTOR

GROUP MANAGING DIRECTOR'S

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL REVIEW - SEGMENT

1. Property Development & Construction Division

The Property Development & Construction Division achieved total revenue of RM83.2 million and profit before tax of RM9.7 million for FY2017 (2016: RM34.1 million and loss before tax RM0.4 million). The significant improvement in revenue was mainly contributed by the Picasso Residence Project which has achieved total take-up rate of 65%. The profit before tax has also improved from last year, with the recognition of higher sales and stage of completion for Picasso Residence Project.

2. Manufacturing Division

The Manufacturing Division continues to perform well in FY2017, contributing RM109.7 million and RM6.7 million to the Group's revenue and profit before tax respectively (2016: RM97.9 million and RM7.0 million). The profit before tax was lower mainly due to recognition of the non-recurring listing expenses and mitigated by the gain on disposal of part of the Group's interest in FCV (VN). Should the listing expenses of RM10.8 million (2016: RM3.1 million) and gain on disposal of RM6.8 million (2016: NIL) be excluded, the Manufacturing Division would record an adjusted profit before tax of RM10.7 million (2016: RM10.1 million).

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

REVIEW OF OPERATIONS

1. Property Development & Construction Division

Picasso Residence, Jalan Jelatek

This is the maiden property development project of the Group. It is a thoughtfully designed layout and well-complimented high-rise residential development project which comprises 472 units of residential units on a 3.5 acres leasehold land along Jalan Jelatek, Kuala Lumpur.

Picasso Residence was officially launched in October 2016 while its construction works comprising earthworks and sub-basement structures have commenced in early year 2015. Thus, allowing the project sufficient time to complete the development and to ensure quality standards are met before the expected handing over date in 3rd quarter 2019.

In January 2016, the Group entered into a Promotion and Underwriting Agreement ("PUA") with an underwriter for the promotion, sales and underwriting of 210 units of Picasso Residence. During the year, the Group has extended the PUA with the underwriter to cover additional sold units under this arrangement. This promotion, sales and underwriting arrangement will help accelerate the take-up rate of Picasso Residence and will provide the funds for the continuous development of the project. As at 31 December 2017, the overall take-up rate of Picasso Residence has reached approximately 65% of total units.

The construction of 38-storey Picasso Residence has progressed well too. The basement and sub-structure works have been completed in May 2017 while the podium works have completed since April 2017. The superstructure works has reached level 19 for Tower A and level 20 for Tower B as at 31 December 2017 respectively.

In the immediate year plan, the Management is committed to several strategies to accelerate the sales of balance units. The team makes constant assessment of the sales channels, sales activities and offering to attract potential purchasers. Activities may include promoting Picasso Residence to a wider target audience both locally and abroad, collaboration and tie-ups with property sales agencies and building a showroom/gallery presence at the project site, and the timely execution and completion of the construction of the buildings and facilities within expected quality standards by constant monitoring of progress at site and appropriately engaging the team of contractors, suppliers, consultants and authorities.

Subang U5 Land, Selangor

In December 2017, the Group through its 51% owned subsidiary company, Premier Baycity Sdn. Bhd. has completed the acquisition of 6.49 acres of leasehold land in Subang U5, Selangor. The Group is currently in the planning phase of the development with intentions to develop 650 residential apartment units on this parcel of land.

The team is in the process of finalising the design aspects of the development project and shall be seeking the necessary authority approvals progressively. The Group is aiming to procure all necessary approvals from the relevant authorities for the commencement of development works and sales in 3rd quarter 2018.

Batu Gajah, Perak

Premier Aspirasi (Batu Gajah) Sdn. Bhd., an associate of the Group, has signed a sales and purchase agreement on 10 October 2017 to acquire 213 sub-divided parcels of 99-year leasehold land totalling approximately 8.7 acres in Batu Gajah, Perak. The land acquisition transaction was completed in February 2018. The Group is currently in the planning phase of the development with intentions to develop affordable residential link-house units on this parcel of land.

2. **Manufacturing Division**

The business model of the Manufacturing Division remained unchanged and the revenue and cost structure had remained stable during the year.

The listing proceeds was utilised for expansion of production capacities, RM1.3 million was utilised up to 31 December 2017. Production capacities were similar to last year's level except for narrow elastic fabric, increased by 11.6% to 95.4 million meters. Manufacturing will continue with its expansion plan to increase the production capacity for narrow elastic fabrics, covered elastic yarn and seat belt webbing to cater for the growing demand for these products.

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FUTURE PROSPECTS

1. Property Development & Construction Division

With a healthy level of unbilled sales and new projects lined up in FY2018, the Group is looking forward to continuing our upward trajectory. This is on the back of a total RM287 million unbilled sales from our maiden property project - Picasso Residence. On the new project, we also have a new project in the pipeline - Subang U5 project with a Gross Development Value of approximately RM250 million. Despite the soft sentiment in the property development industry, we are confident that our developments will be well-accepted by the market, driven by the strategic locations and affordable pricings.

As the Group does not hold any land bank, we enjoy the flexibility to offer projects with concepts and structures that are in high demand. We foresee that for the next 1 to 2 years, the intensified high demand from improved sentiment will stem from affordable houses in more matured and prime areas in Kuala Lumpur and Selangor. This is also in line with the Government's thrust to encourage ownership of affordable homes. Our concept will revolve around 'value-for-money' properties, and this is the direction for our Property Development Division going forward.

For our Construction Division, the potential RM5 billion housing development projects from SPNB is expected to keep us busy for the next few years. To ensure fast and greater efficiency in the construction progress, we have teamed up with other reputable construction players such as JPC and Mingfa. It is the Group's intention to complete these projects with all the collaboration partners as we feel that we can roll out more projects with these partners

2. Manufacturing Division

Our Manufacturing Division will continue to expand the application of the products to different application, as well as to explore new export markets and to expand existing customer base. In this regard, the Manufacturing Division has planned to expand the production capacity, enhance capability of the product modification department, and improve quality control systems and information technology systems by utilising the listing proceeds.

The Group anticipates the prospect of manufacturing business remains promising and is pursuing its strategies to capture new business opportunities. However, we also foresee challenges from the recent crude oil price surge that may increase the price of certain crude-oil based raw materials, such as polyester high tenacity filament yarn, polypropylene multifilament yarn and synthetic rubber, which may impact on the gross profit margin if the Group is unable to pass on the increment in raw material prices entirely to its customers. The Group will closely monitor the raw material prices on a regular basis and adjust the procurement plan and pricing strategy, if necessary.

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

RISK MANAGEMENT & APPROACHES

The Group remains confident with the long-term prospects of property market in Malaysia and manufacturing business but is also cognizant of the short-term challenges that these markets pose. The Group constantly reassesses its risk exposure and seeks to optimise the balance between opportunities and risks both in operations and strategic direction.

The level of unsold inventory is another key item that the Group closely monitors. The Group is confident with the Picasso Residence's sales via the arrangement of PUA, which enabled us to gain accelerated, wider and more extensive access in our target markets. Moving for the Property Development & Construction Division, our Group will continue to focus on promoting "Picasso Residence", launching of new projects, tendering for new construction works and maintaining cost consciousness throughout all divisions.

The Group is exposed to risk of fluctuation in foreign exchange rates especially in Manufacturing Division. Manufacturing Division 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. These foreign currency balances are revalued at each accounting year or period end with the then prevailing exchange rate and may give rise to gain or loss in foreign currency translation. Although the Group does not have a currency hedging policy, a significant part of the currency risk is naturally hedged.

OUTLOOK

It is expected the market conditions in Malaysia and regionally will remain challenging, but we believe we are well positioned to overcome these challenges. We ended 2017 in good shape with a strong platform for growth and we are confident of achieving further progress in 2018 and beyond for all our businesses.

ACKNOWLEDGEMENT

Our remarkable performance is a tremendous credit to the commitment and passion of everyone at PRG. I would like to thanks the Board of Directors and the management team for their contribution and expertise in driving PRG forward. While we look to the future with confidence and are excited about the opportunities that lie ahead, I would like to take this opportunity to acknowledge the skills and dedication of employees throughout PRG, who have worked hard to deliver further progress for the Group. Their combined efforts have sustained the Group's vision of progress through performance.

I would also like to express my sincere appreciation to our business associates and financiers for their continuous support to PRG. I also wish to express our appreciation to the Management, all members of the Group and professional parties involved for their dedication, hard work and contribution to the successful listing of Furniweb Holdings Limited.

On behalf of the Management, I would like to thanks to all the stakeholders who have supported us in making PRG a better and stronger organisation. I hope we will continue to receive your support as we continue to growth our company moving forward.

Dato' Lua Choon Hann
Group Managing Director

PRG IN THE NEWS

PRG IN THE NEWS (CONT'D)

PRG EVENTS

JANUARY

10 Jan 2017

Annual Dinner - Property Development & Construction Division

14 Jan 2017

Annual Dinner - Vietnam

21 Jan 2017

Annual Dinner - Manufacturing Division

APRIL

5 - 8 Apr 2017

29th Vietnam Saigon Textile & Garment Industry Expo 2017

14 Apr 2017

MOU Signing Ceremony between Premier International Marketing Sdn. Bhd., Felcra International Venture Private Limited and Overseas Investment Union of The Investment Association of China

JUNE

6 Jun 2017

16th Annual General Meeting

13 Jun 2017

MOU Signing Ceremony between PRG Holdings Berhad and SPNB Aspirasi Sdn. Bhd.

20 Jun 2017

MOC Signing Ceremony between Premier Electrify Sdn. Bhd. and Sunsuria City Sdn. Bhd.

JULY

21 Jul 2017

Extraordinary General Meeting (HK Listing)

26 Jul 2017

Fire drill

SEPTEMBER

9 - 11 Sep 2017

The 19th China Guangzhou International Investment and Finance Expo

17 - 23 Sep 2017

China International Fair for Investment and Trade (CIFIT - Xiamen)

28 Sep 2017

Furniweb Holdings Limited IPO Press Conference

PRG EVENTS (CONT'D)

OCTOBER

16 Oct 2017

Furniweb Holdings Limited's Listing Ceremony on HKEX GEM Board

16 Oct 2017

Furniweb Holdings Limited's Listing Celebration Dinner

19 Oct 2017

Breast Cancer Awareness Day

26 Oct 2017

Collaboration Agreement between PRG Holdings Berhad, Jiangsu Provincial Construction (M) Sdn. Bhd., and Premier JPC Sdn. Bhd.

NOVEMBER

25 Nov 2017

Affordable Housing Project Launching Ceremony

DECEMBER

10 - 12 Dec 2017

Team Building @ Langkawi

BOARD OF DIRECTORS

DATO' HAMZAH BIN MOHD SALLEH
Independent Non-Executive Director

NA CHUN WEE
Executive Director

DATO' LUA CHOON HANN
Group Managing Director

DATO' DR. AWANG ADEK BIN HUSSIN
Independent Non-Executive Chairman

LIM CHEE HOONG
Independent Non-Executive
Director

DATO' WEE CHENG KWAN
Managing Director
- Property & Construction

DATO' YAU KOK SENG
Non-Independent
Non-Executive Director

DATUK DR. WONG LAI SUM
Independent Non-Executive
Director

DIRECTORS' PROFILE

DATO' DR. AWANG ADEK BIN HUSSIN
Independent
Non-Executive Chairman

Nationality/Age/Gender:	Malaysian/62/Male
Date of Appointment:	18 August 2017
Length of Service: (as at 31 March 2018)	7 months
Academic / Professional Qualification(s) / Membership(s):	• PhD in Economics, University of Pennsylvania, USA (1984) • Master of Arts in Economics, University of Pennsylvania, USA (1981) • Bachelor of Arts, Drew University, USA (1977)
Board Committee:	• Nil

Present Directorship(s):

Listed entity:	**Other public company:**
Nil	Permodalan Nasional Berhad

Present Appointment(s):
- Director, Permodalan Nasional Berhad
- Chairman, PNB Research Institute
- Chairman, Majlis Amanah Rakyat (MARA)

Past Appointment(s):
- Malaysian Ambassador to the USA (2014 - 2016)
- Deputy Minister of Finance (2006 - 2013)
- Deputy Minister of Rural Development (2004 - 2006)
- Chairman of Tenaga Nasional Berhad (2003 - 2004)
- Assistant Governor in Bank Negara Malaysia (1998 - 2001)
- Director General in Labuan Financial Services Authority (1996 - 1998)
- Various Positions in Bank Negara Malaysia (1985 - 1996)
- Lecturer in University Sains Malaysia (1983 - 1985)

Number of Board Meetings attended during financial year 2017:	1/1

DATO' LUA CHOON HANN
Group Managing Director

Nationality/Age/Gender:	Malaysian/41/Male
Date of Appointment:	1 November 2013
Length of Service: (as at 31 March 2018)	4 years, 5 months
Academic / Professional Qualification(s) / Membership(s):	• Bachelor of Law, University of Cardiff
Board Committee:	Nil

Present Directorship(s):

Listed entity:	**Other public company:**
Pelikan International Corporation Berhad	Nil

Present Appointment(s):
- Independent Director & Chairman of Audit Committee, Pelikan International Corporation Berhad (April 2013 - Present)
- Executive Director, Furniweb Holdings Limited (26 April 2017 - Present)
- Director, Malaysia Investment Development Authority (1 October 2017 - Present)

Past Appointment(s):
- With his professional legal experience, business acumen and commercial know-how, Dato' Lua became an entrepreneur in 2003 through various business ventures in Malaysia, China, Singapore and Hong Kong, involving various sectors, including the provision of corporate consultancy and solution services, property development and other related businesses.
- Public Prosecutor, Attorney General's Chambers in Singapore (2000 - 2002)

Number of Board Meetings attended during financial year 2017:	6/6
Other:	Dato' Lua is a major shareholder of the Company.

DIRECTORS' PROFILE (CONT'D)

DATO' WEE CHENG KWAN
Managing Director - Property & Construction

Nationality/Age/Gender:	Malaysian/41/Male
Date of Appointment:	5 August 2013
Length of Service: (as at 31 March 2018)	4 years, 7 months
Academic / Professional Qualification(s) / Membership(s):	• Bachelor of Civil Engineering, University of Portsmouth (1997 - 1999)
Board Committee:	• Risk Management Committee

Present Directorship(s):

Listed entity: Nil	**Other public company:** Nil
Present Appointment(s):	Nil

Past Appointment(s):
- Project Manager, Biaxis (M) Sdn. Bhd.
- Structural Engineer, Chiu Teng Construction Pte. Ltd. (Singapore)
- Engineer, L&M Foundation Specialist Pte. Ltd. (Singapore)

Number of Board Meetings attended during financial year 2017:	6/6
Other:	Dato' Wee is a major shareholder of the Company.

DIRECTORS' PROFILE (CONT'D)

DATUK DR. WONG LAI SUM
Independent Non-Executive Director

Nationality/Age/Gender:	Malaysian/63/Female
Date of Appointment:	11 April 2016
Length of Service: (as at 31 March 2018)	1 year, 11 months
Academic / Professional Qualification(s) / Membership(s):	• BSc in Biochemistry, University Malaya • Masters in Public Administration, University Malaya • PhD in Business, University Malaya
Board Committee:	• Remuneration Committee (Chairman) • Audit Committee • Nomination Committee • Risk Management Committee

Present Directorship(s):

Listed entity:	**Other public company:**
SAM Engineering & Equipment (M) Berhad	Nil

Present Appointment(s):
- Independent Non-Executive Director, SAM Engineering & Equipment (M) Berhad (2016 - present)
- Conjoint Professor to the School of Business of the University of Newcastle, Australia (February 2016)
- Singapore Business Advisory Group of University of Newcastle
- Economic Advisor, Minister of Transport, Ministry of Transport Malaysia
- Advisor to the Faculty of Economics and Business, University Malaya
- Associate Professor, Faculty of Business, TAR University College

Past Appointment(s):
- Malaysia External Trade Development Corporation (MATRADE) Advisor to the National Export Council (June 2015 - 2016)
- Chief Executive Officer (CEO) of the Malaysia External Trade Development Corporation (MATRADE) (2012 - 2015)
- Director, Malaysia Petroleum Resources Council (MPRC)
- Director & Trustee, Malaysia Furniture Promotion Council (MFPC)
- Director, MyCEB (Tourism)
- Co-Chairman, Professional Services Development Council, Malaysia (PSDC)

Number of Board Meetings attended during financial year 2017:	6/6

DIRECTORS' PROFILE (CONT'D)

DATO' HAMZAH BIN MOHD SALLEH
Independent
Non-Executive Director

Nationality/Age/Gender:	Malaysian/70/Male
Date of Appointment:	21 July 2003
Length of Service: (as at 31 March 2018)	14 years, 8 months
Academic / Professional Qualification(s) / Membership(s):	• Diploma in Management, Malaysian Institute of Management • Master's degree in Business Administration, University of Bath
Board Committee:	• Nomination Committee (Chairman) • Risk Management Committee (Chairman) • Audit Committee • Remuneration Committee

Present Directorship(s):

Listed entity:	**Other public company:**
Rhone Ma Holdings Berhad	Nil

Present Appointment(s):
- Chief Executive Officer, Spanco Sdn. Bhd. (1996 - present)
- Independent Non-Executive Chairman, Rhone Ma Holdings Berhad

Past Appointment(s):
- PDZ Holdings Berhad
- Focus Point Holdings Berhad
- Chief Executive Officer, Malaysia Aica Berhad (1994 - 1996)
- Pernas Sime Darby Group and the Sime Darby Group of companies (1981 - 1994)
- Finance and Administration Manager, Pillar Naco Malaysia Sdn. Bhd. (1974 - 1981)
- Audit Assistant, PricewaterhouseCoopers (formerly known as Price Waterhouse & Co.) (1969 - 1974)

Number of Board Meetings attended during financial year 2017:	6/6

DIRECTORS' PROFILE (CONT'D)

LIM CHEE HOONG
Independent
Non-Executive Director

Nationality/Age/Gender:	Malaysian/57/Male
Date of Appointment:	21 July 2003
Length of Service: (as at 31 March 2018)	14 years, 8 months
Academic / Professional Qualification(s) / Membership(s):	• Malaysian Institute of Certified Public Accountants • Malaysian Institute of Accountants • Chartered Tax Institute of Malaysia
Board Committee:	• Audit Committee (Chairman) • Nomination Committee • Remuneration Committee

Present Directorship(s):

Listed entity:	**Other public company:**
Choo Bee Metal Industries Berhad	Nil

Present Appointment(s):
- Certified Public Accountants, Messrs CHI-LLTC
- Independent Non-Executive Director, Choo Bee Metal Industries Berhad

Past Appointment(s):
- Partner, Lee Teik Swee & Co.
- The rest in commercial sectors as Group Accountants and Group Financial Controller till 1997
- Audit Senior, Kassim Chan & Co. (1990 - 1993)
- Articled Clerk, Coopers & Lybrand (1981 - 1987)

Number of Board Meetings attended during financial year 2017:	6/6

DIRECTORS' PROFILE (CONT'D)

NA CHUN WEE
Executive Director

Nationality/Age/Gender:	Malaysian/44/Male
Date of Appointment:	15 January 2018
Length of Service: (as at 31 March 2018)	2 months
Academic / Professional Qualification(s) / Membership(s):	• Fellow Member of ACCA (FCCA)
Board Committee:	• Risk Management Committee

Present Directorship(s):

Listed entity:	**Other public company:**
Nil	Nil

Present Appointment(s):	Nil

Past Appointment(s):
- Deputy Group CEO and CFO, Donaco International Limited
- Head of International Corporate Finance, Kenanga Investment Bank Berhad
- Investment Director, PrimePartners Asset Management Pte. Ltd.
- Vice President, Malaysia Venture Capital Management Berhad
- Vice President, AKN Capital Sdn Bhd (Board Member of Mems Technology Berhad and AWC Facilities Solutions Berhad)

Number of Board Meetings attended during financial year 2017:	Not applicable

DATO' YAU KOK SENG
Non-Independent
Non-Executive Director

Nationality/Age/Gender:	Malaysian/58/Male
Date of Appointment:	1 March 2018
Length of Service: (as at 31 March 2018)	1 month
Academic / Professional Qualification(s) / Membership(s):	• Chartered Accountant • Member of Malaysian Institute of Accountants • Member of Malaysian Institute of Certified Public Accountants
Board Committee:	Nil

Present Directorship(s):

Listed entity:	**Other public company:**
Nil	Nil

Present Appointment(s):	Nil

Past Appointment(s):
- Group CEO, Tropicana Corporations Berhad (2013 - 2017)
- Group Managing Director, Hong Leong Industries Berhad (2011 - 2012)
- Managing Director, Sunway Holdings Berhad (2001 - 2011)
- Group Finance Director, Sunway Holdings Berhad (1995 - 2001)
- Head of Corporate Finance, Sunway Holdings Berhad (1992 - 1995)
- Ernst & Young (1980 - 1992)

Number of Board Meetings attended during financial year 2017:	Not applicable

Save as disclosed, the above Directors have no family relationship with any Director and/or other major shareholder of the Company, no conflict of interests with the Company nor any personal interest in any business arrangement involving the Company. The above Directors have no conviction for any offences within the past five (5) years (other than traffic offences, if any) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2017.

All the Independent Non-Executive Directors satisfied the criteria required of an independent director as defined under Bursa Securities' Main Market Listing Requirements ("MMLR"), which include being independent of management, free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interests of the Company, and also being independent of its major shareholders.

MANAGEMENT TEAM

LOI KOK MUN
Chief Financial Officer

Nationality/Age/Gender:	Malaysian/47/Male
Date of Appointment:	5 October 2016
Length of Service: (as at 31 March 2018)	1 year, 5 months
Academic / Professional Qualification(s) / Membership(s):	• Malaysian Institute of Certified Public Accountants (MICPA) • Malaysian Institute of Accountants (MIA)

Present Directorship(s):

Listed entity:	**Other public company:**
Nil	Nil

Working Experience:
- Group Financial Controller, GuocoLand (Malaysia) Berhad (2015 - 2016)
- General Manager - Finance & Accounts, Bukit Kiara Properties Sdn. Bhd. (2014 - 2015)
- General Manager - Finance, Wing Tai Malaysia Berhad (2011 - 2014)
- General Manager - Corporate & Investments, Eastern & Oriental Berhad (2003 - 2011)

CHEAH HANNON
Director of Corporate Affairs

Nationality/Age/Gender:	Malaysian/46/Male
Date of Appointment:	1 February 2016
Length of Service: (as at 31 March 2018)	2 years, 1 month
Academic / Professional Qualification(s) / Membership(s):	• Bachelor of Science degree in Accounting and Finance, Purdue University (1995)

Present Directorship(s):

Listed entity:	**Other public company:**
Nil	Nil

Working Experience:
- Director of Corporate Finance, Amanie Corporate Advisors (2012 - 2016)
- Associate Director, Institutional Sales, Ambank Securities Sdn. Bhd. (2008 - 2009)
- Assistant General Manager, Equity Sales, RHB Securities (2004 - 2008)
- Associate Director of Equity Sales, UOB Kay Hian Securities Singapore (1999 - 2004)

MANAGEMENT TEAM (CONT'D)

CHEAH ENG CHUAN
Chief Executive Officer & Executive Director of Furniweb Holdings Limited

Nationality/Age/Gender:	Malaysian/71/Male
Date of Appointment:	21 July 2003
Length of Service: (as at 31 March 2018)	14 years, 8 months
Academic / Professional Qualification(s) / Membership(s):	• Completed his secondary school education in Malaysia.

Present Directorship(s):

Listed entity: Nil	**Other public company:** Nil

Working Experience:
- Vice President, Malaysian Textile Manufacturers Association (2011 - present)
- Rubberflex Sdn. Bhd. (1986 - 1987)
- Heveafil Sdn. Bhd. (1980 - 1986)
- Oriental Elastic Industries Co. (1974 - 1980)
- Malaysian Army (1965 - 1974)

Others:
- Founder member of FMSB, WTSB and TMSB.
- Resigned as Executive Director of PRG Holdings Berhad on 20 September 2017.

TAN CHUAN DYI
Chief Operating Officer & Executive Director of Furniweb Holdings Limited

Nationality/Age/Gender:	Malaysian/46/Male
Date of Appointment:	2 January 2014
Length of Service: (as at 31 March 2018)	4 years, 2 months
Academic / Professional Qualification(s) / Membership(s):	• Bachelor of Science in Business Administration (Major in Finance Option), California State University of Fresno

Present Directorship(s):

Listed entity: Naim Holdings Berhad	**Other public company:** Nil

Working Experience:
- Independent Non-Executive Director, Naim Holdings Berhad
- Head of Equity Syndication of Group Investment Banking, Kenanga Investment Bank Berhad
- Head, Equity Capital Markets, RHB Investment Bank Berhad
- Senior Vice President, Institutional Sales, CIMB & Affin Securities

MANAGEMENT TEAM (CONT'D)

HO PHEI SUAN
Chief Financial Officer of
Furniweb Holdings Limited

Nationality/Age/Gender:	Malaysian/38/Female
Date of Appointment:	2 May 2014
Length of Service: (as at 31 March 2018)	3 years, 10 months
Academic / Professional Qualification(s) / Membership(s):	• Bachelor of Accounting from University of Malaya • Certified Public Accountant of Malaysian Institute of Accountants (MIA) • Member of the Malaysian Institute of Certified Public Accountants (MICPA)

Present Directorship(s):

Listed entity:	**Other public company:**
Nil	Nil

Working Experience:
- Senior Manager of Corporate Finance, Encorp Berhad (2012 - 2014)
- Business Analyst of Hewlett Packard Malaysia (2011 - 2012)
- Manager of KPMG China (2008 - 2010)
- Manager of Ernst & Young Malaysia (2002 - 2008)

TAN CHOONG WEI
Chief Operating Officer,
Property Development Division

Nationality/Age/Gender:	Malaysian/39/Male
Date of Appointment:	4 September 2017
Length of Service: (as at 31 March 2018)	6 months
Academic / Professional Qualification(s) / Membership(s):	• Bachelor of Science (Land Administration & Development), University of Technology, Malaysia

Present Directorship(s):

Listed entity:	**Other public company:**
Nil	Mirame Land Berhad

Working Experience:
- Senior Vice President, Villamas Sdn. Bhd. (2007 - 2014)
- Assistant Project Manager, Saujana Heights Sdn. Bhd. (2005 - 2007)

Save as disclosed, the above Key Senior Management members have no family relationship with any Director and/or major shareholder of the Company, no conflict of interests with the Company nor any personal interest in any business arrangement involving the Company. The above Key Senior Management members have no conviction for any offences within the past five (5) years (other than traffic offences, if any) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2017.

SUSTAINABILITY REPORT

OVERVIEW

The Group is pleased to present the inaugural Sustainability Report which underlines the commitment towards being a sustainable organisation and the endeavours to continuously improve across three aspects of sustainability i.e. Economic, Environmental and Social ("EES") considerations, risks and opportunities.

This Sustainability Report discloses the material sustainability matters and impacts arising from the activities of the Group during the financial year ended 31 December 2017. For each sustainability matter, the Group has described the measures and performance in the process of managing the sustainability matter, guided by the Group's business strategies and policies. This report is prepared in accordance with Sustainability Reporting Guide issued by Bursa Securities.

The Group recognises that the business decisions may have potential impact to the surrounding communities and environment that the Group operates within. Therefore, the material sustainability matters disclosed in this report were identified and strategic measurement and actions were taken to manage the subject matter. Moving forward, the Group will focus on driving sustainable growth over the coming years. The Group is committed to engage the stakeholders and operate with the highest degree of integrity and transparency. With this spirit, the Group strives to meet the expectations and achieve the vision for sustainability. The Group will continue to integrate elements of sustainability into its daily operations as the knowledge on sustainability issues and their impacts the business deepens.

GOVERNANCE STRUCTURE

At PRG, the sustainability leadership is led by the Board. The Board is responsible to oversee the integration of sustainability initiatives across the Group and its business strategy, and that adequate resources, systems and processes are in place for managing the sustainability matters.

In order to assist the Board in driving and reporting the Group's sustainability practices, the Group Managing Director with the assistance of the Managing Directors and Executive Directors of each division and the members of the senior management team are responsible for the management of sustainability matters which are aligned with the Group's business strategy, direction and operation; implementing appropriate measures and actions as well as monitoring key performance indicators, if applicable.

SCOPE OF SUSTAINABILITY STATEMENT AND BASIS FOR THE SCOPE

Unless otherwise stated, this Sustainability Report covers the overall EES performance of all the divisions of PRG's Group, namely Manufacturing Division, Property Development & Construction Division and other divisions operated in Malaysia and Vietnam.

The Group's Manufacturing Division which is listed on the GEM of the HKEX via Furniweb Holdings Limited, had published its Environmental, Social and Governance Report in accordance to Environmental, Social and Governance Reporting Guide set out in Appendix 20 of the GEM Listing Rules.

SUSTAINABILITY REPORT (CONT'D)

MATERIALITY ASSESSMENT

Identification

The Group conducts a materiality review every year to identify the sustainability matters that are important and relevant to the Group and its stakeholders. The result would help the Group to manage the material sustainability matters.

Stakeholder Engagement

Continuous engagement with the stakeholders is important in order for the Group to develop more robust and comprehensive sustainable business strategies. Due to their considerable influence and impact on the business, the Group values the relationships with its stakeholders. High emphasis is placed on two-way communication with all stakeholders who are impacted by or have the ability to influence the 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 such as but not limited to the below:-

Stakeholders	Key Areas of Concern	Engagement Platform
Employees	• Performance and remuneration • Training and career development • Talent retention • Employee welfare • Occupational health and safety	• Appraisal meetings • Training programmes • Individual development plans • Circulation of internal memos • Email communications • Employee engagement activities • Festive gatherings • Team building activities • Meetings with the management • Weekly sport activities
Customers	• Brand reputation • Customer satisfaction • Data privacy	• Social media • Official website • Launches/Marketing events • Dedicated phone line to liaise with Sales & Marketing team
Shareholders & Investors	• Financial performance • Business strategies and directions • Compliance with regulations • Corporate governance and transparency • Ethics and integrity	• Annual and quarterly reports • Annual and quarterly results announcements • Annual General Meeting ("AGM") • Extraordinary General Meeting ("EGM"), if any • Announcements on Bursa Malaysia • Investor relations section of the Company's website • Press release and coverage
Regulators & Authorities	• Compliance with regulations and guidelines • Governance compliance	• Emails/letters • Dialogues with the authorities • Workshops and trainings organised by the relevant regulatory authorities
Vendors/Suppliers	• Development of vendor and supplier long-term relationship	• Negotiations with vendors/suppliers • Supplier periodical performance evaluation • New vendor evaluation and registration
Media	• Company reputation • Publicity • Business performance	• Ongoing engagement sessions and interviews • AGM and EGM, if any • Press release and coverage • Press conference

With regards to sustainable development, the Group believes stakeholders' inputs are essential in shaping the roadmap and strategy to strengthen the EES management and the Group will actively engage in different platforms to communicate with the stakeholders.

MATERIAL SUSTAINABILITY MATTERS

In this report, materiality in sustainability terms is not limited to the matters that have significant financial impact to the organisation but also includes the consideration of EES impact to the Group's ability to meet the needs of present and future generations. As defined in the Paragraph 6.3, Practice Note 9 of the MMLR, sustainability matters are considered material if they:

(a) reflect the listed issuer's significant economic, environmental and social impacts; or
(b) substantively influence the assessments and decisions of stakeholders.

1. Economic

1.1 Supply Chain Management

The Group has a wide range of suppliers globally providing various products and services. Supply chain management is critical in facilitating the operations and the Group aims to build mutually beneficial relationships with the suppliers in the long run. Therefore, the Group engages with suppliers fairly, transparently and ethically. The Group will review the suppliers based on, amongst others, price and payment terms, product and service quality, operation scale and geographical proximity to the production facilities. The Group will take all reasonable efforts to conduct appropriate evaluations and assess the background information of the potential suppliers. The Group also performs 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 the satisfaction will be admitted as the qualified suppliers. A qualified supplier list for the principal raw materials is maintained by the purchase and procurement department and all principal raw materials must be purchased from the qualified suppliers. The Group closely monitors the performance of the suppliers and quotations from different suppliers are generally obtained prior to certain procurement to ensure the competitiveness of their pricing. Suppliers failing to keep up with the 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.

1.2 Product Responsibility

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

The Group ensures none of its products would harm the safety and health of the customers. Over the years, the Group had received a number of awards and certifications in recognition of the business development and quality standards including ISO 9001: 2008, ISO 14001: 2015, ISO/TS 16949: 2009, Oeko-Tex® Standard 100 Product Class I & II. As the Group is 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, the quality control team will analyse the details of the complaints and the respective products and determine the reasons of and take safeguard measures to prevent it from happening in the future. The quality control team will identify reasons of defective products such as defective raw materials, improper or errors in manufacturing process or improper loading/unloading during transportation. The 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 the suppliers list if defective raw materials are being identified repeatedly. If the errors are identified in manufacturing process, the quality control team will analyse the details including going through the manufacturing process with the production team. The production team will take immediate assessment on the production process so as to improve the production process and avoid the repeated mistakes from occurring. The procurement team will communicate and verify with carriers for the improper loading/unloading and carriers shall bear the responsibility once identified and confirmed. Defective products will be collected from customers and replaced with new batch of products.

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

2. Environmental

2.1 Environment Management System

The Group understands the importance of environmental sustainability and protection. The Group takes measures to protect the environment in which the Group operates through the implementation of an environmental management system at the 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 Ltd.. For the other subsidiaries, the Group has also put in place the environmental management system that identifies and manages the environmental risks concerning the businesses. The Group is able to identify environmental opportunities, enforce programs, promote awareness among the employees and stakeholders and seek continuous improvement.

2.1.1 Emissions

Major emissions of the Group are gas emissions from boilers and machines, sewage discharges from dyeing process and other associated hazardous waste from other production phases and construction sites.

As the Group is committed to abide by all respective laws and regulations in the areas the Group operates 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 complied with applicable environmental standards and measures in Malaysia and Vietnam.

For the manufacturing process and construction sites, the Group has adopted the following measures including engaging an independent and licensed pollutant treatment company to dispose the hazardous waste, and wastewater was centrally collected and treated before being discharged. The non-hazardous wastes and hazardous wastes were collected and stored separately, before being transferred to landfill for disposal.

2.1.2 Use of resources

The Group focuses on the use of resources such as energy, water, paper and packing materials. By utilising them efficiently not only helps to lower the operating cost, but also reduces its carbon footprint. The Group believes that it relies on the efforts from all of the employees, therefore, the Group has 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.

Electricity

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

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

Water

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

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

Paper

Paper was mainly consumed by office.

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

Packing materials

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

Adhere to that, the Group's energy, water, paper and packing materials consumption were reduced, the greenhouse gas ("GHG") emissions also declined accordingly. The Group will continue to closely monitor the utilisation of resources and conduct regular assessment to seek better ways to contribute to environmental protection.

2.1.3 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 the business operation.

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

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

2.2 Electric Vehicle charging station

In effort to contribute to green economy, PRG has also, through its subsidiary, Premier Electrify Sdn. Bhd. entered into a collaboration with Sunsuria City Sdn. Bhd. on 20 June 2017, to set up a charging station for Electric Vehicles ("EV") at Sunsuria City, Sepang. This was part of PRG's Green Initiative, in which the goal is to create sustainable traffic movement in Malaysia with a reliable EV charging infrastructure. Depending on consumer demand, the Group looks forward to deploy more charging stations in strategic locations and may also work with partners such as highway operators, petrol stations, mall owners, car dealers, national airports and commercial buildings to achieve the same goal.

3. Social

3.1 Employment

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

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

The employees are one of the key stakeholders of the Group, the policies conducive to build a better working environment, more development opportunities and attractive employee benefits have contributed to employees' satisfaction levels and retention level. The Group aims to provide a good environment of a professional and harassment-free working environment.

3.1.1 Health and Safety

The Group endeavours to ensure the employees are provided with a safe working environment. The Group has an Occupational Safety and Health Policy and has implemented various measures at the production facilities and construction sites 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, the Manufacturing and Construction Divisions have set up an Occupational Safety and Health Committee ("OSHA") to review health and safety matters from time to time to oversee safety in the work environment and regular internal meetings to discuss safety issues, review any recent industrial accidents and to design any required remedial actions. Fire drills, gas leakage control and spillage control are conducted on a regular basis and briefings in relation to evacuation procedures are given to employees.

An Emergency Response Team was set up under the purview of the OSHA to ensure that a quick response will be available to the people in the event of an emergency. Members of the team are given training on the use of firefighting equipment, first aid, Cardiopulmonary Resuscitation ("CPR") and other measures to be taken in the event of emergency.

As part of the Group's 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.

3.1.2 Development and Training

The Group aspires to develop and grow with the employees and is willing to invest in both work-related training and personal development of the human capital. 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 the employees, including specialised trainings for different departments, management trainings as well as soft skills trainings. Moreover, the Group's guidelines are established to assess the performance of employee so as to identify and implement development programs for employees.

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

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

3.1.3 Labour Standards

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

3.1.4 Work-life balance

Work-life balance is one of the important elements in retaining employees in the organisation. In this spirit, the Group has organised various recreational activities to help relieve employees from work stress, as well as to foster employees' relationship and bonds, such as:-

- Weekly sports activities
- Annual dinners
- Team buildings activities
- Festive celebrations

3.2 Anti-Corruption

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

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

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

3.3 Corporate Social Responsibility

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

- foster collaboration with local authorities in the areas of charity work
- engage with the community and ensure the Group's business activities are always carried out in the interests of the community
- provision of career opportunities to the locals and promoting the development of the community's economy

Apart from that, the Group also involves in charity programmes devised to provide support to the organisations or institutions that are involved in welfare, health and educational activities aimed at improving quality of life of the society. In November 2017, the Group has donated RM50,000 to aid residents affected by the torrential storm over the span of a weekend, which resulted in one of the worst floods in Penang.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of PRG ("the Board") fully subscribes to and ensure that the high standard of corporate governance are observed and practiced throughout the Group in the pursuit of discharging its roles and responsibilities to protect and enhance shareholders' value and financial performance of the Group.

This statement is presented to the shareholders and investors to provide them an overview of the corporate governance ("CG") practices of the Company under the leadership of the Board during FY2017. This statement is prepared in accordance with Bursa Securities' MMLR, and Securities Commission Malaysia ("SC") Malaysian Code on Corporate Governance ("MCCG").

This statement is to be read together with the Company's Corporate Governance Report ("CG Report") which is available on the Company's website. The CG Report provides the detailed explanation on how the Company applies the corporate governance practices as set out in the MCCG during FY2017.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board is responsible in formulating and reviewing the Group's strategic direction and management of the Group. In discharging its roles and responsibilities, the Board is guided by the approved Board Charter and all other policies implemented by the Company. The Board always ensures that good corporate governance culture is practiced in the Company, and it also ensures effective leadership through oversight on the management and monitoring of the goals, budget, activities, performance, compliance and control in the organisation. The Board Members exercise due diligence and care in discharging their duties and responsibilities to ensure that high ethical standards are applied through compliance with relevant rules and regulations, directives and guidelines, and act in the best interests of the Group and its shareholders.

The Chairman leads the Board by setting the tone at the top, and managing the Board's effectiveness by focusing on strategy, governance and compliance. The positions for the Chairman of the Board and Group Managing Director are held by different individuals with clear division of roles and responsibilities as defined in the Board Charter of PRG ("Board Charter"). The Board Charter is a comprehensive reference document for the Directors on the matters related to the Board and its sub-committees, and its processes. The Board Charter also specifies matters reserved exclusively for the Board's approval.

On 15 March 2018, the Board has reviewed and approved the amendments to the Board Charter to be in line with the changes in regulations and best practices applicable to the Group. The Board has in place the Code of Conduct to maintain discipline and order in the workplace. As part of the Company's commitment to uphold the highest standard of the Code of Conduct, the Whistle Blowing Policy aims to provide a safe and acceptable platforms for all Directors and employees to report unethical behaviour, suspected fraud or violation of the Company's Code of Conduct has also been formulated and established. Further details of the Board Charter, Code of Conduct and Whistle Blowing Policy are set out in Practice 2.1, Practice 3.1 and Practice 3.2 in the CG Report, and these documents are available on the Company's website at http://www.prg.com.my/investor-relations/ ("the Company's Website").

The Board members have full and unrestricted access to the two (2) Company Secretaries (both have legal qualification and are qualified to act as Company Secretary under the Companies Act 2016) who provide advisory services to the Board, especially on corporate governance issues and compliance with the relevant policies and procedures, law and regulatory requirements and other administrative matters in order to discharge their duties effectively.

The Board meets on quarterly basis to review the Company's financial, operational and business performance, amongst others. In order to facilitate the Directors' time planning, the annual meeting calendar is prepared and circulated in advance to enable the Directors' to plan in advance. Exceptions will be given if urgent matters arise which require the Board's consideration. The calendar provides the Directors with the scheduled dates for meetings of the Board and Board Committees, the Annual General Meeting, as well as the closed periods of dealings in securities by Directors based on the targeted date of announcement of the Group's quarterly announcement.

During the financial year ended 31 December 2017, six (6) meetings of the Board were held. Details of the Board's attendance record at the Board meetings were as follows:

Directors	Total Meetings Attended	Attendance (%)
Dato' Dr. Awang Adek bin Hussin (Appointed on 18 August 2017)	1 out of 1	100
Dato' Lua Choon Hann	6 out of 6	100
Dato' Wee Cheng Kwan	6 out of 6	100
Dato' Hamzah bin Mohd Salleh	6 out of 6	100
Lim Chee Hoong	6 out of 6	100
Datuk Dr. Wong Lai Sum	6 out of 6	100
Dato' Lim Heen Peok (Resigned on 20 September 2017)	5 out of 5	100
Cheah Eng Chuan (Resigned on 20 September 2017)	5 out of 5	100

The Company Secretary was present at all Board Meetings held during the financial year ended 31 December 2017.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities.

II. Board Composition

For FY2017, the Board comprised four (4) Independent Non-Executive Directors including the Chairman, and two (2) Executive Directors. The composition of the Board complies with the Bursa Securities' MMLR that requires at least two (2) directors or 1/3 of the Board members, whichever is the higher, are independent directors. After FY2017, two (2) new directors have been appointed to the Board, including one (1) Executive Director and one (1) Non-Independent Non-Executive Director. The composition of the Board is in line with the MCCG that requires at least half of the Board to comprise of Independent Directors. The composition and size of the Board are assessed by the Board through the Nomination Committee appointed by the Board.

The Board recognises the benefits of having a diverse Board and to ensure that the mix and profiles of the Board members in terms of age, ethnicity, gender, skills and competencies are required to achieve effective leadership and management. The Board believes that a truly diverse and inclusive Board will leverage the differences in thought, perspective, knowledge, skill, regional and industry experience, cultural and geographical background, age, ethinicity and gender, which will ensure PRG retains its competitive advantage.

In order to ensure orderly and effective execution of the roles and responsibilities of the Board, the Board has delegated specific responsibilities to five (5) committees as shown below:-

- Nomination Committee
- Remuneration Committee
- Audit Committee
- Risk Management Committee
- Long Term Incentive Plan Committee

Each Committee operates under their respective approved terms of references and/or operating procedure which are reviewed intermittently. The Chairman of each committee will report to the Board on the outcome of the committees' meetings which are recorded in the minutes of the Board meeting. No executive power was given to each committee as their responsibility is to deliberate and examine particular issues and report to the Board with their recommendations. The Board holds the ultimate responsibility for the directions and control of the Company.

Through the Nomination Committee and the assistance from the Company Secretary, the Board carried out annual assessment on the effectiveness of the Board, Board Committees and the individual Directors of the Company. Besides, the Nomination Committee also assessed the independence of Independent Directors against the established criteria to ensure independent in character and judgement and that they would continue to provide unbiased, objective and independent view to the Board. The Nomination Committee also reviewed and proposed to the Board the re-election of Directors retiring by rotation at the AGM in accordance with the provisions of the Constitution of the Company. All retiring Directors, being eligible, have offered themselves for re-election at the AGM.

The Terms of Reference of Nomination Committee is available at the Company's Website and activities of Nomination Committee are presented on Pages 57 to 58 of this Annual Report.

The Long Term Incentive Plan ("LTIP") Committee was set up during the financial year 2015 in line with the Group's long term incentive programme with this objective to retain and award high performance employees in the Group and is governed by By-Laws.

III. Remuneration

The Board has established the Directors' Remuneration Policy and Procedures ("RPP") in order to ensure fair remuneration package is set. The Board is mindful that fair remuneration is critical to attract, retain and motivate directors and senior management. The remuneration package should take into account the complexity of the Company's business and the individual's responsibilities. The RPP is reviewed by the Remuneration Committee on an annual basis prior to making its recommendations to the Board for approval.

The Terms of Reference of Remuneration Committee is available at the Company's Website and activities of Remuneration Committee and detailed disclosure on Director's remuneration are presented on Pages 55 to 56 of this Annual Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee of the Company comprises three (3) members, all of whom are Independent Non-Executive Directors. The Chairman of the Audit Committee, Mr. Lim Chee Hoong was elected by the members of the Committee. Mr. Lim is a member of the Malaysian Institute of Accountants. The policy on the observation of at least two years cooling-off period for a former key audit partner to be appointed as a member of the Audit Committee is incorporated in the Terms of Reference of Audit Committee.

The Chairman and members of the Audit Committee are financially literate with appropriate and various level of expertise and experience, and have carried out their responsibilities according to the Terms of Reference of Audit Committee.

The Terms of Reference of Audit Committee is available at the Company's Website and the activities of the Audit Committee are presented on Pages 52 to 54 of this Annual Report.

II. Risk Management and Internal Control Framework

The Board discharges its responsibilities in the risk governance and oversees functions through the Risk Management Committee ("RMC"). The RMC, supported by the Risk Management Team comprises the Head of Departments of respective divisions, assists the Board in overseeing the risk management matters relating to the activities of the Group. The RMC reviews the risk management framework and processes and monitors the effectiveness of risk treat/mitigation action plans for the management and control of identified key risks.

The adequacy and effectiveness of the internal controls are reviewed by the Audit Committee in relation to internal audit function of the Group. The Board places significant emphasis on maintaining a sound system of internal control covering not only financial controls but also operational and compliance controls as well as risk management in order to safeguard shareholders' investments and the Group's assets. The Board continuously reviews the adequacy and effectiveness of the internal control system to ensure it meets the Group's particular needs and to manage the risks to which it is exposed.

The Statement on Risk Management and Internal Control set out on Pages 49 to 51 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

PRG ensures that its communication with its shareholders and various stakeholders is transparent, timely and with quality disclosure. The relevant information is communicated to shareholders and investors through various disclosures and announcements to Bursa Securities, including the quarterly financial results, annual reports and where appropriate, circulars and press releases. The Company makes use of a broad range of communication channels to disseminate information regarding the Company and the Group. The communication channels would include electronic facilities provided by Bursa Securities mentioned earlier, corporate website, social media, emails, road shows or events and general meetings of the Company.

II. Conduct of General Meetings

The general meetings including the AGM and EGM represent the principal forum for dialogue and interaction with the shareholders of the Company. During FY2017, two (2) general meetings were held, which include the 16th AGM held on 6 June 2017 and the EGM held on 21 July 2017. In order to ensure effective participation of and engagement with the shareholders, all members of the Board attended the general meetings to respond to the questions raised by the shareholders or proxies. The Chairman of the Board chaired the general meetings in an orderly manner and allowed the shareholders or proxies to speak at the meetings. In line with the MCCG, the notice of the 16th AGM was issued to the shareholders at least 28 days before the AGM, beyond the requisite 21 days' notice as prescribed by the Company's Constitution and Listing Requirements while the notice of the EGM was issued at least 14 days before the EGM. The notice of general meetings includes details of the resolutions proposed along with any background information and reports or recommendations that are relevant. The Company adopted electronic voting technology and the resolutions tabled for shareholders' approval at the 16th AGM and EGM were voted by way of poll via live voting.

This CG Overview Statement was approved by the Board of Directors of PRG on 15 March 2018.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 2016 and approved accounting standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of financial year ended 31 December 2017 and of their financial performance and cash flows for the financial year then ended. The Directors are satisfied that in preparing the financial statements of the Group for the year ended 31 December 2017, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The financial statements have been prepared on the going concern basis.

The Directors are responsible for ensuring that the Group keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Group and which enable them to ensure that the financial statements comply with the Act.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

ADDITIONAL COMPLIANCE INFORMATION

1. Audit and Non-audit Fees

The amount of audit fees and non-audit fees paid and payable to the external auditors for the financial year ended 31 December 2017 are tabled as follows:

	Group RM'000	Company RM '000
Audit Fees	453	40
Non-audit Fees	936	11

2. Material Contracts

During the financial year, the Group did not enter into any material contracts involving directors' and major shareholders' interest other than as disclosed in Note 30 of the financial statements.

3. Employees' Share Option Scheme and/or Share Grant Plan pursuant to the LTIP

During the financial year, no options or shares were granted/issued by the Company.

4. Utilisation of Proceeds from Corporate Proposal

The Company did not undertake any corporate proposal during the financial year under review.

5. Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPT")

The breakdown of the aggregate value of the RRPT conducted pursuant to the shareholders' mandate obtained at the Sixteenth Annual General Meeting held on 6 June 2017 is as follow:

Nature of Transactions	Transacting party in the PRG Group	Related Party	Interested related parties	Actual value transacted from 1 January 2017 to 30 September 2017 (RM'000)
Sale of upholstery webbings by FVSC to Shann	FVSC	Shann Australia Pty. Ltd. ("Shann")	Shann owns 5.96% of the effective equity interest in FCV	* 465
Sale of metal components for the furniture industry by FCV to Shann	FCV	Shann	Both Martin O'Shannassy and Kevin John Matherson are common directors of FCV and Shann	* 786
Sales of meat netting and rootball netting	Trunet	Trunet (UK) Limited ("Trunet UK")	Trunet is jointly owned entity by Trunet UK and FMSB Both Stuart Revill and George D. Seal are common directors of Trunet and Trunet UK	-

Notes:

FVSC : Furniweb (Vietnam) Shareholding Company
FCV : Furnitech Components (Vietnam) Co., Ltd.
Trunet : Trunet (Vietnam) Co., Ltd.
FMSB : Furniweb Manufacturing Sdn. Bhd.

* Following the completion of the disposal of partial charter capital in FCV by the Group during the financial year and capital contribution by the member into FCV, FCV has become an associate company of FVSC in PRG Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is pleased to present the Statement on Risk Management and Internal Control which outlines the Group's risk management framework and internal control systems during the financial year under review.

This statement is made in pursuant to paragraph 15.26(b) of the MMLR of Bursa Securities and in accordance with the Malaysian Code on Corporate Governance as well as "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers".

This statement however, does not cover associate companies and joint ventures where risk management and internal control are managed by the respective management teams.

RESPONSIBILITY

The Board recognises the importance of a sound risk management framework and internal control system to good corporate governance and acknowledges its overall responsibility to ensure that the principal risks of the Group are identified, evaluated and managed with an appropriate system of internal control, and to ensure that the effectiveness, adequacy and integrity of the system are reviewed from time to time to suit the changes in the business environment.

The Board has established an appropriate risk management framework and internal control system to manage the Group's risks within tolerable ranges rather than to eliminate risks with significant adverse impact on the achievement of the Group's objectives and strategies. It can therefore only provide reasonable assurance but not absolute assurance against material misstatements, financial losses or fraud.

There is an on-going process in place to identify, evaluate and manage the significant risks that may affect the achievement of business objectives throughout the financial year under review and up to the date of approval of this statement by the Board. The process is updated and reviewed from time to time to be responsive to the changes in the business environment.

KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Risk Management Framework

Risk management is an integral part of the Group's management process and the Group focuses on the key risks and the relevant controls to ensure that they are able to respond effectively to the changing business environment. The risk management framework established by the Board is embedded in various operation processes and procedures of the respective operational functions and management team and clearly defines the authority and accountability in implementing the risk management process.

The Group's risk management framework has the following key attributes:

- Risk Management Structure

  The Board continuously reviews the overall management of principal areas of risk with the assistance of Risk Management Committee ("RMC"). The RMC is headed by an Independent Non-Executive Director and comprises the Managing Directors and/or Executive Directors, Chief Executive Officer and Chief Financial Officer.

  RMC is supported by the Risk Management Team ("RMT") at the operational level. The members of RMT comprise Managing Directors and various Heads of Departments.

- Key elements of risk management framework:

  i. Identify new risks and determine whether existing risks remain relevant to the Group's objectives;

     The RMT conducts quarterly review of business risks to identify new risks as well as to determine whether previously known risks remain relevant. However, if an abrupt situation which has serious bearings on the Group's business operating environment arises, RMT will respond immediately to invoke the risk reviewing process.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

ii. Evaluate the risks and develop risk mitigating action plans; and

The identified risks, which may fall into the category of strategic risk, operational risk, credit risk, finance/account risk or IT risk, will be evaluated by RMT and thereafter effective controls and risk mitigating action plans will be developed and implemented to address and mitigate the risks identified.

iii. Monitor the progress of action plans and review the business risks from time to time.

RMT will closely monitor the outcome of the implementation of the controls and action plans carried out by the various levels of management and will re-evaluate the risks and formulates new mitigating strategy if the desired results are not achieved.

- Risk Reporting

Risk management is conducted every quarter. Significant risks identified by RMT are reported to RMC, Audit Committee and the Board during quarterly meetings.

The internal auditors provide an independent assessment of the adequacy and reliability of the operational risk management processes and report its findings to the Audit Committee.

Internal Audit Function

The Group maintains an in-house internal audit department for the Manufacturing Division that carries out regular reviews of the Division'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. Where applicable, the internal audit department provides recommendations to improve the effectiveness of risk management, controls and governance processes.

The internal audit function for the Corporate and Property Development & Construction Divisions was outsourced to an independent consulting firm who performs the audit in accordance with Generally Accepted Auditing Practices for Internal Control Review to assess the adequacy and integrity of the Group's risk management. The Internal Auditor reports directly to the Audit Committee on improvement measures pertaining to internal control, including subsequent follow-up to determine the extent of their recommendations that have been implemented by the Management. Periodic audit reports and status on follow up actions are submitted to the Audit Committee, who reviews the findings with Management at its quarterly meetings. The Management is responsible for ensuring that corrective actions to control weaknesses are implemented within a defined time frame. The status of implementation is monitored through follow-up audits which are also reported to the Audit Committee.

The Audit Committee reviews the internal audit function, the scope of the annual internal audit plan, as well as the findings within its scope of responsibilities. The Audit Committee meets at least four times a year with the Board to discuss significant issues found during the internal audit process and makes the necessary recommendations to the Board.

In the financial year under review, the following functions' processes of the Group's operations were reviewed by the internal auditors:

Manufacturing Division:
- Production & quality control including compliance with Environmental & Safety & Health Regulations
- Human resource
- Purchasing
- Inventory
- Sales, credit control & account receivables
- Finance and Information Technology
- Inventory costing (covering raw materials, work-in-progress & finished goods)
- Annual stock check
- Related party transaction including recurrent related party transactions

Corporate and Property Development & Construction Divisions:

- Compliance Audit on Overall Design of the Control Environment of PRG
- Risk-based Audit on the identified key risk areas of the Construction Division including:
  (i) Material trading
  (ii) Uncertainty of economy
  (iii) Liquidity risk
  (iv) Credit risk
  (v) New project funding
  (vi) Government policy
  (vii) Market recognition
  (viii) Sustainability
  (ix) Staff incentives and benefits
- Compliance audit on delegated authority limit (Financial and Non-Financial)
- Compliance audit on compliance with organisation policies, contracts, laws and regulations

The findings arising from the above reviews have been reported to the Management for their response and subsequently for the Audit Committee deliberation. Where weaknesses were identified, recommended procedures have been implemented or are being addressed to strengthen controls.

Other Key Elements of Internal Control

Other key elements that provide effective internal control include:

- The Group has established an organisation structure with clearly defined lines of responsibility, accountability, authority and reporting.
- The business plan and annual budget are prepared and presented to the Board for review and approval.
- Standard Operating Procedures which includes policies and procedures within the Group are continuously reviewed and updated.
- Performance reports are provided quarterly to the Directors and discussed at Board meetings. The Board receives from the management reports covering quarterly financial performance and other corporate matters.
- Monthly management accounts and reports are prepared to facilitate effective monitoring and decision making.
- On-going trainings and educational programs are identified and scheduled for all staff to acquire the necessary knowledge and competency to meet their performance and job expectations.

CONCLUSION

For the financial year under review, after due and careful assessment and based on information and assurances provided by the Group Managing Director, Managing Directors, Executive Directors and Chief Financial Officer, the Board is satisfied that the Group's risk management and internal control system was operating adequately and effectively in all material aspects throughout the financial year and up to the date of approval of this statement by the Board. Measures are in place and continually being taken to ensure the on-going internal controls are adequate and effective to safeguard shareholders' investments and the Group's assets.

There were no material losses, contingencies or uncertainties as a result of weaknesses in the risk management and internal control system that would require separate disclosures in this Annual Report. Nevertheless, the Board will continue to ensure that the Group's risk management and internal control system are able to constantly adapt and prevail in its changing and challenging business environment.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Listing Requirements of Bursa Securities, the external auditors have reviewed this statement for inclusion in the Annual Report of the Group for the financial year ended 31 December 2017. Their review is performed in accordance with Audit Assurance and Practice Guide 3 ("AAPG 3") issued by the Malaysian Institute of Accountants. The External Auditors' procedures have been conducted to assess whether the Statement on Risk Management and Internal Control is supported by the documentation prepared by or for the Directors and that it is an appropriate reflection of the process adopted by the Directors in reviewing the adequacy and integrity of the system of internal control for the Group.

AAPG 3 does not require the External Auditors to consider whether this statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control procedures. Based on their procedures performed, the external auditors have reported to the Board that nothing has come to their attention which causes them to believe that this statement is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers", nor is factually inaccurate.

This statement was approved by the Board of Directors of PRG on 15 March 2018.

REPORT ON THE AUDIT COMMITTEE

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee consists of three (3) members, all of whom are Independent Non-Executive Directors. The Chairman of the Audit Committee is a member of the Malaysian Institute of Accountants.

The composition of the Audit Committee is as follows:

Directors	Position
Lim Chee Hoong	Chairman of Audit Committee & Independent Non-Executive Director
Dato' Hamzah bin Mohd Salleh	Independent Non-Executive Director
Datuk Dr. Wong Lai Sum	Independent Non-Executive Director

The Terms of Reference of the Audit Committee is available on the Company's Website.

MEETINGS AND ATTENDANCE

The Audit Committee held a total of five (5) meetings during the financial year ended 31 December 2017 with full attendance from the members of the Audit Committee and Company Secretary. Details of attendance are as follows:

Directors	Attendance
Lim Chee Hoong	5 out of 5
Dato' Hamzah bin Mohd Salleh	5 out of 5
Datuk Dr. Wong Lai Sum	5 out of 5

ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2017, the activities carried out by the Audit Committee in the discharge of its duties included, among others, the following:

(i) Financial Reporting

- Reviewed the unaudited quarterly financial results and audited financial statements before recommending to the Board for consideration and approval for release to Bursa Securities.
- Reviewed major audit findings and management's responses with Management, External Auditors and Internal Auditors.

(ii) External Audit

- Reviewed the External Auditors' audit plan covering its scope of work and area of significant auditor attentions.
- Reviewed the extent of assistance provided by Management and issues arising from the audits with the External Auditors without the presence of Management and Executive Directors.
- Reviewed the assessment report on the suitability and independence of the External Auditors including non-audit services provided by the External Auditors to the Company and corresponding fees and proposed to the Board the re-appointment of the External Auditors. The assessment encompassed audit planning and design, audit execution, audit fees and independence of the External Auditors.

(iii) Internal Audit

- Reviewed staffing requirement of the Internal Audit Department to ensure it is adequately staffed by employees with relevant skills, knowledge and experience to enable the department to perform its role.
- Reviewed the adequacy and relevance of the scope, compliance and risk based internal audit plan and results of the internal audit procedures with the in-house Internal Audit Department for the Manufacturing Division and the outsourced Internal Auditors for the Corporate and Property Development & Construction Division. The focus of review was placed on high risk areas.
- Reviewed the Internal Audit Reports and audit recommendations made to remedy identified weaknesses and management responses.
- Reviewed the extent of assistance provided by Management and issues arising from and weaknesses identified during the audits with the Internal Auditors without the presence of Management and Executive Directors.

(iv) Risk Management

- Reviewed the significant risks identified by Risk Management Committee on quarterly basis and relevant measures and efforts undertaken to mitigate the risks.

(v) Related Party Transactions

- Reviewed related party transactions and/or recurrent related party transactions involving the Group to ensure that the transactions entered into were at arm's length basis and on normal commercial terms, which are not more favourable to the related parties than those generally available to the public and are not detriment to the minority shareholders, and made the relevant statement in the circular to shareholders in connection therewith.

(vi) Others

- Reviewed the Statement on Risk Management and Internal Control and the Report on the Audit Committee for inclusion in the annual report.
- Reviewed the Circular to Shareholders on the Proposed Authority for the Purchase of Own Shares by the Company.

REPORT ON THE AUDIT COMMITTEE (CONT'D)

INTERNAL AUDIT FUNCTION

The internal audit function for the Manufacturing Division is performed in-house and for the Corporate and Property Development & Construction Division, is outsourced to an independent consulting firm, GRC Consulting Services Sdn. Bhd. to provide assurance on the effectiveness as well as the adequacy and integrity of the system of internal control.

For the year under review, audits were performed to evaluate and identify any weaknesses of the internal controls affecting the Group, the adequacy of the existing system of internal control and to recommend measures to Management to improve and rectify any weaknesses.

The internal audit reviews has been carried out based on compliance and risk-based audit approach and its findings were presented to the Audit Committee on a quarterly basis.

During the financial year ended 31 December 2017, the Internal Auditors carried out the following activities:

(a) Prepared the annual audit plan for the Manufacturing Division, Corporate and Property Development & Construction Division for review and approval of the Audit Committee.

(b) Performed compliance and risk-based audits and tabled its findings to the Audit Committee.

(c) Reviewed of the following processes of the Group's operations:

i) Manufacturing Division

- Production & quality control including compliance with Environmental & Safety & Health Regulations
- Human resource
- Purchasing
- Inventory
- Sales, credit control & account receivables
- Finance and Information Technology
- Inventory costing (covering raw materials, work-in-progress & finished goods)
- Annual stock check
- Related party transaction including recurrent related party transactions

ii) Corporate and Property Development & Construction Divisions

- Compliance audit on Overall Design of the Control Environment of PRG
- Risk-based audit on the identified key risk areas of the Construction Division including:
  (i) Material trading
  (ii) Uncertainty of economy
  (iii) Liquidity risk
  (iv) Credit risk
  (v) New project funding
  (vi) Government policy
  (vii) Market recognition
  (viii) Sustainability
  (ix) Staff incentives and benefits
- Compliance audit on delegated authority limit (Financial and Non-Financial)
- Compliance audit on compliance with organisation policies, contracts, laws and regulations

The findings arising from the above reviews were reported to Management for their response and subsequently for the Audit Committee deliberations. Where weaknesses were identified, recommended procedures and/or remedial actions would be put in place to improve and strengthen internal controls. In addition, the Internal Auditors also performed follow-up reviews on the status of implementation of recommendations/corrective actions for reporting to the Audit Committee.

The costs incurred for the internal audit function in respect of the financial year ended 31 December 2017 amounted to RM289,000.

REPORT ON THE REMUNERATION COMMITTEE

COMPOSITION OF THE REMUNERATION COMMITTEE

The Remuneration Committee consists of three (3) members, all of whom are Independent Non-Executive Directors.

The composition of the Remuneration Committee is set out below:

Directors	Position
Datuk Dr. Wong Lai Sum	Chairman of Remuneration Committee & Independent Non-Executive Director
Lim Chee Hoong	Independent Non-Executive Director
Dato' Hamzah bin Mohd Salleh	Independent Non-Executive Director
Dato' Lua Choon Hann (Resigned on 28 February 2018)	Group Managing Director
Cheah Eng Chuan (Resigned on 20 September 2017)	Managing Director - Manufacturing

The Terms of Reference of the Remuneration Committee is available on the Company's website.

MEETINGS AND ATTENDANCE

The Remuneration Committee held a total of five (5) meetings during the financial year ended 31 December 2017 with full attendance from the members of the Remuneration Committee and Company Secretary. Details of attendance are as follows:

Directors	Attendance
Datuk Dr. Wong Lai Sum	5 out of 5
Lim Chee Hoong	5 out of 5
Dato' Hamzah bin Mohd Salleh	5 out of 5
Dato' Lua Choon Hann	5 out of 5
Cheah Eng Chuan	4 out of 4

BOARD REMUNERATION

The Board has adopted a remuneration policy for the Directors which sets out that the Directors' remuneration shall be determined based on the following criteria:-

- Level of responsibility;
- Expertise;
- Complexity of the Company's activities;
- Frequency of meetings; and
- Industry benchmarks against similar companies.

Procedure

The Remuneration Committee recommends to the Board the remuneration to be paid to each Director based on the remuneration policy approved by the Board. It is nevertheless the ultimate responsibility of the entire Board to decide on the quantum for each director.

The components of the remuneration for the Non-Executive Directors of the Company comprise of:-
(a) Annual fixed fees as Director and fees for sitting in other Board Committees; and
(b) Meeting allowance based on their attendance at the Board and Board Committees meetings.

REPORT ON THE REMUNERATION COMMITTEE (CONT'D)

ACTIVITIES OF THE REMUNERATION COMMITTEE

During the financial year, the Remuneration Committee undertaken the following activities:
(a) Reviewed and deliberated the remuneration packages of the Executive Directors of the Company and determined the bonus for the Executive Directors.
(b) Reviewed the Directors' Fees for the Non-Executive Directors of the Company to commensurate with the wider duties and heavier responsibilities placed on the Non-Executive Directors.
(c) Reviewed the Proposed Service Contract for the Executive Directors.
(d) Reviewed the Report on the Remuneration Committee for inclusion in the annual report.

DIRECTORS' REMUNERATION

In line with Practice 7.1 of the MCCG, the detailed disclosure on named basis for the remuneration of individual directors including the remuneration breakdown of fees, salary, bonus, benefits in-kind and other emoluments are adopted. Details of Directors' remuneration for the financial year ended 31 December 2017 are set out below:

	Salary (RM'000)	Director' Fees (RM'000)	Bonus (RM'000)	Other emoluments (RM'000)	Benefits-in-Kind (RM'000)	Total (RM'000)
Executive Directors						
Dato' Lua Choon Hann	800	-	232	258	16	1,306
Dato' Wee Cheng Kwan	600	-	250	214	17	1,081
Cheah Eng Chuan[1]	528	-	311	154	15	1,008
Non-Executive Directors						
Dato' Dr. Awang Adek bin Hussin[2]	-	28	-	1	-	29
Datuk Dr. Wong Lai Sum	-	55	-	4	-	59
Dato' Hamzah bin Mohd Salleh	-	55	-	4	-	59
Lim Chee Hoong	-	63	-	4	-	67
Dato' Lim Heen Peok[1]	-	53	-	3	-	56

Notes:

1. Mr Cheah Eng Chuan and Dato' Lim Heen Peok resigned as Directors of PRG on 20 September 2017. Both of them are appointed to the Board of Furniweb Holdings Limited ("FHL"), a 75% owned subsidiary of PRG on the same day. Hence, their remuneration received from PRG have been pro-rated accordingly.
2. Appointed to the Board on 18 August 2017.

REPORT ON THE NOMINATION COMMITTEE

COMPOSITION OF THE NOMINATION COMMITTEE

The Nomination Committee consists of three (3) members, all of whom are Independent Non-Executive Directors.

The composition of the Nomination Committee is set out below:

Directors	Position
Dato' Hamzah bin Mohd Salleh	Chairman of Nomination Committee & Senior Independent Non-Executive Director
Lim Chee Hoong	Independent Non-Executive Director
Datuk Dr. Wong Lai Sum	Independent Non-Executive Director
Dato' Lim Heen Peok (Resigned on 20 September 2017)	Independent Non-Executive Director

The Terms of Reference of the Nomination Committee is available on the Company's website.

MEETINGS AND ATTENDANCE

The Nomination Committee held a total of three (3) meetings during the financial year ended 31 December 2017 with full attendance from the members of the Nomination Committee and Company Secretary. Details of attendance are as follows:

Directors	Attendance
Dato' Hamzah bin Mohd Salleh	3 out of 3
Lim Chee Hoong	3 out of 3
Datuk Dr. Wong Lai Sum	3 out of 3
Dato' Lim Heen Peok	3 out of 3

ACTIVITIES OF THE NOMINATION COMMITTEE

a) The Nomination Committee had during the financial year under review appraised the proposed appointment of Dato' Dr Awang Adek bin Hussin as new Independent Non-Executive Director of the Company and was satisfied, upon reviewed and assessed the suitability of Dato' Dr Awang Adek against the evaluation criteria and considerations such as his experience, industry knowledge, expertise and competency, and took cognizance that the appointment would provide diversity in the Board's composition, had recommended the appointment to the Board for approval.

b) The Nomination Committee, upon annual assessment of board performance and Director's self-evaluation carried out for FY2017, was satisfied that:

- The size, structure and composition of the Board is optimum with appropriate mix of knowledge, skills, attributes and core competencies.
- The Board has been able to discharge its duties and responsibilities professionally and effectively.
- All the Directors continue to uphold the highest governance standards in their conduct and that of the Board.
- The Directors are able to devote sufficient time commitment to their roles and responsibilities as reflected by their satisfactory attendance at Board meeting and Board Committee meetings. It was noted that the Directors do not hold more than 2 directorships in public listed companies.

REPORT ON THE NOMINATION COMMITTEE (CONT'D)

The assessment and evaluation was carried out by the Nomination Committee through a set of questionnaires which was circulated to the Board for completion. To facilitate the evaluation process, the answers and remarks of all Directors were collated and summarised by the Company Secretary for review by the Nomination Committee and subsequent reporting to the Board.

All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions were properly documented.

c) The Nomination Committee also deliberated and determined which directors would retire and stand for re-election at the Company's Annual General Meeting in accordance with the provisions of the Company's Constitution. All retiring Directors, being eligible, have offered themselves for re-election at the AGM.

   The Nomination Committee assessed the independence of the Independent Directors against the established criteria and based on the self-assessment checklist completed by all Independent Directors of the Company, the Nomination Committee and Board was satisfied that there were no issues of independence in the Board of the Company as the Independent Directors continue to provide unbiased, objective and independent views and judgment in Board deliberations.

d) Reviewed on the Report on the Nomination Committee for inclusion in the annual report.

e) Discussed the training needs of the Directors and training programmes available to Directors.

f) Reviewed Management's proposal on re-designation of Directors and revised organisation chart.

g) Reviewed the term of office and performance of the Audit Committee and each of its members against the assessment checklist in accordance with MMLR of Bursa Securities and was satisfied that the Audit Committee had carried out its duties in accordance with its Terms of Reference.

h) Reviewed the succession plan of the Board periodically.

FINANCIAL

STATEMENT

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 9 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	10,842	35,591
Attributable to:		
Owners of the parent	4,358	35,591
Non-controlling interests	6,484	-
	10,842	35,591

DIVIDENDS

Dividends paid, declared or proposed since the end of the previous financial year were as follows:

	Company RM'000
In respect of financial year ended 31 December 2016: Final single tier dividend of 0.50 sen per ordinary share, paid on 28 July 2017	1,490

The Directors do not recommend the payment of any final dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than the effects of adoption of the Companies Act 2016 as disclosed in Note 18 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was increased from 298,220,374 to 302,488,174 by way of the issuance of 4,267,800 new ordinary shares pursuant to the exercise of Warrants 2014/2019 at an exercise price of RM0.375 per ordinary share for cash.

The newly issued shares rank *pari passu* in all respects with the existing shares of the Company. There were no other issues of shares during the financial year.

The Company did not issue any debentures during the financial year.

TREASURY SHARES

The members of the Company, by a special resolution passed at the Extraordinary General Meeting held on 27 June 2005 authorised the Company's plan to purchase its own shares. The authority granted by the members was subsequently renewed during subsequent Annual General Meetings of the Company, including the last meeting held on 6 June 2017. The Directors of the Company are committed to enhancing the value of the Company to its members and believe that the repurchase plan can be applied in the best interest of the Company and its members.

The Company has the right to retain, cancel, resell these shares and/or distribute these shares as dividends. As treasury shares, the rights attached to them as to voting, dividends and participation in any other distributions or otherwise are suspended. Of the total 302,488,174 (2016: 298,220,374) issued and fully paid ordinary shares as at 31 December 2017, 417,800 (2016: 417,800) ordinary shares bought for RM87,000 (2016: RM87,000) are held as treasury shares by the Company.

The number of outstanding ordinary shares in issue after deducting the treasury shares is 302,070,374 (2016: 297,802,574) ordinary shares as at 31 December 2017.

WARRANTS 2014/2019 ("Warrants")

On 7 July 2014, the Company issued 54,320,100 free detachable Warrants pursuant to the Rights Issue with Warrants Exercise on the basis of one (1) Warrant for every one (1) Rights Share subscribed.

The Warrants are constituted by the Deed Poll dated 2 June 2014 ("Deed Poll").

The salient features of the Warrants are disclosed in Note 18(f) to the financial statements.

The movements in the Warrants are as follows:

	Number of unexercised Warrants
At 1 January 2017	100,544,826
Exercised	(4,267,800)
At 31 December 2017	96,277,026

As at 31 December 2017, unexercised Warrants of the Company are as follows:

Date issued	Exercise price	No. of Warrants over ordinary shares	Warrants expiry date
7 July 2014	RM0.375	96,277,026	6 July 2019

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS' REPORT (CONT'D)

DIRECTORS

The Directors who have held office since the date of the last report are:

PRG Holdings Berhad

Dato' Lua Choon Hann
Dato' Wee Cheng Kwan
Datuk Dr. Wong Lai Sum
Dato' Hamzah Bin Mohd Salleh
Lim Chee Hoong
Dato' Dr. Awang Adek Bin Hussin (appointed on 18 August 2017)
Na Chun Wee (appointed on 15 January 2018)
Dato' Yau Kok Seng (appointed on 1 March 2018)
Dato' Lim Heen Peok (resigned on 20 September 2017)
Cheah Eng Chuan (resigned on 20 September 2017)

Subsidiaries of PRG Holdings Berhad

Chan Kwong Pooi
Cheah Eng Chuan
Cheah Hannon
Dato' Lua Choon Hann
Dato' Wee Cheng Kwan
Lai Kong Meng
Lee Sim Hak
Loi Kok Mun
Ong Lock Hoo
Rangith Jinadasa
Tan Chuan Dyi
Dato' Sheah Kok Fah (appointed on 5 May 2017)
Dato' Zainuddin Bin Abd Rahman (appointed on 5 May 2017)
Tan Choong Wei (appointed on 8 August 2017)
Dato' Dr. Hou Kok Chung (appointed on 20 September 2017)
Dato' Lim Heen Peok (appointed on 20 September 2017)
Dato' Sri Wee Jeck Seng (appointed on 20 September 2017)
Ho Ming Hon (appointed on 20 September 2017)
Na Chun Wee (appointed on 17 January 2018)
Dato' Hooi Kok Hoe (resigned on 22 December 2017)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and warrants of the Company and of its related corporations during the financial year ended 31 December 2017 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	Number of ordinary shares			
	Balance as at 1.1.2017	**Bought**	**Disposed**	**Balance as at 31.12.2017**
Shares in the Company				
Direct interests:				
Dato' Lua Choon Hann	49,470,300	3,697,500	-	53,167,800
Dato' Wee Cheng Kwan	30,299,200	120,000	-	30,419,200
Lim Chee Hoong	154,000	-	-	154,000
Indirect interests:				
Lim Chee Hoong #	154,000	-	-	154,000

	Number of Warrants 2014/2019			
	Balance as at 1.1.2017	**Bought**	**Disposed**	**Balance as at 31.12.2017**
Warrants in the Company				
Direct interests:				
Dato' Lua Choon Hann	18,911,400	2,041,700	-	20,953,100
Dato' Wee Cheng Kwan	9,451,200	-	-	9,451,200
Indirect interests:				
Dato' Lua Choon Hann #	-	38,000	-	38,000

Deemed interest by virtue of his spouse's interest pursuant to Section 59(11)(c) of the Companies Act 2016.

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares and warrants of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than deemed benefits arising from related party transactions as disclosed in Note 30 to the financial statements and remuneration received by certain Directors as Directors of subsidiaries.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the warrants issued as disclosed in Note 18(f) to the financial statements, which are also offered to shareholders.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 25 to the financial statements.

DIRECTORS' REPORT (CONT'D)

INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

The Group and the Company effected Directors' liability insurance during the financial year to protect the Directors of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors. The amount of insurance premium paid by the Group and of the Company for the financial year 2017 was RM41,000.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there are no known bad debts to be written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for the effects arising from the followings as disclosed in Note 25 to the financial statements.

(i) the partial disposal of the 36.95% equity interest in Furnitech Components (Vietnam) Co., Ltd. by Furniweb (Vietnam) Shareholding Company, a wholly-owned subsidiary of the Group, resulting in an increase in the Group's profit for the financial year by RM6,824,000;

(ii) the partial disposal of the 90% equity interest in Premier Aspirasi (Batu Gajah) Sdn. Bhd. by PRG Property Sdn. Bhd., a wholly-owned subsidiary of the Group, resulting in an increase in the Group's profit for the financial year by RM3,000;

(iii) listing expenses of RM10,792,000 for the listing of and quotation for 504,000,000 ordinary shares of HKD0.10 each by Furniweb Holdings Limited on the GEM of the Stock Exchange of Hong Kong Limited, resulting in a decrease in the Group's profit for the financial year by RM10,792,000;

(iv) net gain on disposals of subsidiaries as a result of the internal reorganisations for manufacturing division, resulting in an increase in the Company's profit for the financial year by RM5,235,000; and

(v) reversal of impairment losses on investments in subsidiaries as a result of the internal reorganisations for manufacturing division, resulting in an increase in the Company's profit for the financial year by RM2,545,000.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONT'D)

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SUBSIDIARIES

Details of subsidiaries are set out in Note 9 to the financial statements.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 34 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant events subsequent to the end of the reporting period are disclosed in Note 35 to the financial statements.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Details of auditors' remuneration are set out in Note 25 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors.

....	....
Dato' Lua Choon Hann	**Dato' Wee Cheng Kwan**
Director	Director

Kuala Lumpur
15 March 2018

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 73 to 157 have been drawn up in accordance with Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

....
Dato' Lua Choon Hann
Director

....
Dato' Wee Cheng Kwan
Director

Kuala Lumpur
15 March 2018

STATUTORY DECLARATION

I, Loi Kok Mun, being the Officer primarily responsible for the financial management of PRG Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 73 to 157 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared by the abovenamed at)
Kuala Lumpur, this)
15 March 2018)

Loi Kok Mun

Before me:

Baloo A/L T. Pichai (W 663)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PRG HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PRG Holdings Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 73 to 157.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

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

Key Audit Matters of the Group

a) Recognition of property development revenue, costs estimates and profit recognition

As disclosed in Note 24 to the financial statements, revenue from property development at 31 December 2017 amounted to RM83,187,000 and property development costs amounted to RM167,959,000 as set out in Note 14 to the financial statements respectively.

Property development revenue, property development costs and the profit recognition thereof involve significant judgements in estimating the saleability, selling prices and estimated completion costs of the development.

In estimating saleability and selling prices, the Group considers the number of units sold to-date, the current economic condition and the market selling prices.

In estimating the total costs to complete, the Group considers the completeness and accuracy of its costs estimation, including its obligations to contract variations, claims and cost contingencies. The total costs to complete including, sub-contractors' costs, can vary with market conditions and may also be incorrectly forecasted due to unforeseen events during development.

Audit response

Our audit procedures included the following:

(i) assessed management's estimate of budgeted costs to be incurred by comparing historical budgets to actual costs incurred to assess the reliability of management's budgeting process and controls;

(ii) verified development costs incurred during the financial year to supporting documentation;

(iii) assessed estimated total costs to complete through enquiries with operational and financial personnel of the Group in relation to variations and claims and verified documentation to support the cost estimates including variation orders and cost contingencies;

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRG HOLDINGS BERHAD (CONT'D) (INCORPORATED IN MALAYSIA)

Key Audit Matters (cont'd)

Key Audit Matters of the Group (cont'd)

a) Recognition of property development revenue, costs estimates and profit recognition (cont'd)

Audit response (cont'd)

Our audit procedures included the following (cont'd):

(iv) recomputed the percentage of completion determined by management for revenue recognition based on verified actual costs incurred to-date and budgeted costs;

(v) assessed the saleability and selling prices of the development to determine the potential revenue of the project; and

(vi) assessed the likelihood of cash buyers paying upon billing.

b) Revenue recognition of manufacturing division

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

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

Audit response

Our audit procedures, with the involvement of component auditors, included the following:

(i) obtained an understanding of and assessed the design, implementation and operating effectiveness of key internal controls over the completeness, existence and accuracy and timing of revenue recognition in manufacturing division;

(ii) tested sales transactions recorded during the year in manufacturing division to relevant underlying documentation, which included sales invoices and goods delivery notes, with evidence of the customers' receipt of the goods and the date of receipt of the goods by the customers in manufacturing division; and

(iii) performed sales cut-off tests to ensure that sales revenue in manufacturing division was recognised in the correct accounting period.

c) Recoverability of trade receivables

As at 31 December 2017, trade receivables amounted to RM74,606,000. The details of trade receivables and their credit risks have been disclosed in Note 13 to the financial statements.

Management recognises allowances for impairment losses on trade receivables based on specific known facts or circumstances or customers' abilities to pay.

The determination of whether trade receivables are recoverable involves significant management judgement and inherent subjectivity given uncertainty regarding the ability of the trade receivables to settle their debts. We focused on the audit risk that the impairment losses on trade receivables may be understated and hence, further impairment losses may be required.

Audit response

Our audit procedures, with the involvement of component auditors, included the following:

(i) obtained an understanding of the credit process operated by management over the recoverability of trade receivables of the Group;

(ii) assessed recoverability of trade receivables by reference to their historical bad debt expense, ageing profiles of the counter parties and past historical repayment trends;

(iii) assessed cash receipts subsequent to the end of the reporting period for its effect in reducing amounts outstanding as at the end of the reporting period; and

(iv) assessed the likelihood of cash buyers paying upon billing for property development.

Key Audit Matters (cont'd)

Key Audit Matters of the Group (cont'd)

d) Adequacy of write-down of inventories to net realisable value

As disclosed in Note 16 to the financial statements, the Group held RM21,481,000 of inventories at the end of the reporting period.

Write-down of inventories to net realisable value was mainly based on management's estimates, which had been derived from expectation of current market prices and future demand.

We focused on the audit risk that the carrying amount of inventories may not be stated at the lower of cost and net realisable value, the determination of which requires the management to exercise significant judgement in estimating the net realisable value of the inventories.

In estimating the net realisable value of the inventories, the management considers the current economic trends, inventories' ageing and changes in customer preference of the respective inventories.

Audit response

Our audit procedures, with the involvement of component auditors, included the following:

(i) discussed with management and obtained an understanding of the inventory management process and how management identified and assessed for inventories write-down;

(ii) assessed and tested the design and operating effectiveness of the key controls over valuation of inventories; and

(iii) tested inventories to sales subsequent to the year end and supporting documentation and assessed that the carrying value of inventories was at the lower of cost and net realisable value.

e) Partial disposal of a subsidiary

The Group reduced its equity interest in Furnitech Components (Vietnam) Co., Ltd. ("Furnitech") from 82.01% to 45.06%. The calculation of the gain on partial disposal of RM6,824,000 under FRSs involved the determination of the fair value of the retained equity interest of 45.06% in Furnitech which is also the cost on initial recognition of interest in an associate as Furnitech became an associate of the Group upon the completion of the transaction.

We focused on the accounting treatment for the partial disposal of Furnitech due to its financial significance to the financial statements and the complexity of the related accounting treatment under FRSs as disclosed in Note 9(b)(i) to the financial statements.

Audit response

Our audit procedures, with the involvement of component auditors, included the following:

(i) reviewed the related share purchase agreement and members agreement and discussed with management to determine the proper accounting treatment of the transaction under FRSs;

(ii) assessed the reasonableness of management's determination of the fair value of the retained equity interest in Furnitech;

(iii) checked the calculation of the gain on partial disposal of Furnitech to the underlying accounting records;

(iv) checked the receipt of capital contribution by Furnitech from the new investor and relevant legal documents;

(v) checked the purchase price allocation of the cost on initial recognition of interest in an associate - Furnitech for the determination of goodwill; and

(vi) considered the overall adequacy of disclosures of the transaction in the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRG HOLDINGS BERHAD (CONT'D) (INCORPORATED IN MALAYSIA)

Key Audit Matters (cont'd)

Key Audit Matter of the Company

a) Impairment assessment of the carrying amounts of costs of investments in subsidiaries and amounts owing by subsidiaries

As disclosed in Note 9 and Note 13 to the financial statements, the costs of investments in subsidiaries and amounts owing by subsidiaries to the Company amounted to RM74,655,000 and RM66,870,000 respectively as at 31 December 2017.

Management used a Value in Use model to compute the present value of forecasted future cash flows for the Cash Generating Units ("CGUs") to determine if there is any impairment loss required on the cost of investments in subsidiaries and amounts owing by subsidiaries.

We have focused on the impairment assessment of the carrying amounts of the cost of investments in subsidiaries and the amounts owing by subsidiaries as the process is complex and the determination of whether or not an impairment loss is necessary involved significant judgements and estimates by the Directors about the future results and key assumptions applied to cash flow projections of the CGUs in determining their recoverable amounts. These key assumptions include forecast growth in future revenues and operating profit margins, as well as determining an appropriate pre-tax discount rate and growth rates.

Audit response

Our audit procedures included the following:

(i) compared cash flow forecast and projections against recent performance and assessed the reasonableness of the key assumptions used by management in the cash flow forecast and projections by comparing to actual historical operating profit margins and growth rates;

(ii) compared prior period budgets and forecasts to current period's actual results to assess the historical accuracy of the forecasts;

(iii) assessed the suitability of the pre-tax discount rate used by each CGU by comparing to the weighted average cost of capital of the Group and relevant risk factors; and

(iv) performed sensitivity analysis to stress test the key assumptions used by management in the impairment model.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company 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 the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company'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 the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing 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 financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRG HOLDINGS BERHAD (CONT'D) (INCORPORATED IN MALAYSIA)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 9 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO
AF : 0206
Chartered Accountants

Kuala Lumpur
15 March 2018

Chan Wai Leng
02893/08/2019 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	7	44,495	50,166	-	307
Intangible assets	8	1,409	1,457	-	-
Investments in subsidiaries	9	-	-	74,655	53,744
Investments in associates	10	5,447	-	-	-
Investment in a joint venture	11	1,109	1,355	-	-
Trade and other receivables	13	-	-	49,953	40,603
Deferred tax assets	12	1,710	564	-	-
		54,170	53,542	124,608	94,654
Current assets					
Property development costs	14	167,959	156,923	-	-
Inventories	16	21,481	23,888	-	-
Trade and other receivables	13	93,982	31,641	17,004	15,464
Current tax assets		1,240	959	1	5
Cash and bank balances	17	42,023	20,504	128	224
		326,685	233,915	17,133	15,693
TOTAL ASSETS		380,855	287,457	141,741	110,347
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	18	77,730	74,555	77,730	74,555
Treasury shares	18	(87)	(87)	(87)	(87)
Reserves	19	58,137	49,434	63,979	31,453
		135,780	123,902	141,622	105,921
Non-controlling interests	9(h)	28,891	(977)	-	-
TOTAL EQUITY		164,671	122,925	141,622	105,921

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 (CONT'D)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
LIABILITIES					
Non-current liabilities					
Borrowings	20	20,319	17,201	-	183
Trade and other payables	21	9,556	11,580	-	-
Deferred tax liabilities	12	857	1,089	-	-
		30,732	29,870	-	183
Current liabilities					
Borrowings	20	8,250	33,751	-	272
Trade and other payables	21	176,004	100,242	119	3,971
Current tax liabilities		1,198	669	-	-
		185,452	134,662	119	4,243
TOTAL LIABILITIES		216,184	164,532	119	4,426
TOTAL EQUITY AND LIABILITIES		380,855	287,457	141,741	110,347

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Revenue	24	192,963	132,062	26,594	10,505
Cost of sales		(134,509)	(93,498)	-	-
Gross profit		58,454	38,564	26,594	10,505
Other income		9,644	1,197	8,866	321
Distribution costs		(9,820)	(5,548)	-	-
Administrative expenses		(39,189)	(27,115)	(1,072)	(934)
Other expenses		(2,109)	(134)	(1,315)	(57)
Interest income		258	173	2,527	2,377
Finance costs		(1,420)	(1,420)	(7)	(45)
Share of losses of associates, net of tax	10	(323)	-	-	-
Share of profit of a joint venture, net of tax	11	282	215	-	-
Profit before tax	25	15,777	5,932	35,593	12,167
Tax expense	26	(4,935)	(885)	(2)	(1)
Profit for the financial year		10,842	5,047	35,591	12,166
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translations		(3,078)	1,195	-	-
Reclassification of exchange translation reserve to profit or loss upon partial disposal of a subsidiary	9(b)(i)	(305)	-	-	-
Share of other comprehensive loss of an associate	10	(45)	-	-	-
Share of other comprehensive (loss)/income of a joint venture	11	(88)	46	-	-
Total comprehensive income for the financial year		7,326	6,288	35,591	12,166
Profit attributable to:					
Owners of the parent		4,358	4,263	35,591	12,166
Non-controlling interests		6,484	784	-	-
		10,842	5,047	35,591	12,166
Total comprehensive income attributable to:					
Owners of the parent		1,251	5,507	35,591	12,166
Non-controlling interests		6,075	781	-	-
		7,326	6,288	35,591	12,166
Earnings per ordinary share attributable to owners of the parent (sen):					
- Basic	27	1.457	1.443		
- Diluted	27	1.222	1.286		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Group	Note	Share capital RM'000	Share premium RM'000	Exchange translation reserve RM'000	Treasury shares RM'000	Warrants reserve RM'000	Retained earnings RM'000	Total attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
		← Non-distributable				→	Distributable			
Balance as at 1 January 2016		72,531	68	(1,218)	(87)	4,346	41,197	116,837	(1,758)	115,079
Profit for the financial year		-	-	-	-	-	4,263	4,263	784	5,047
Foreign currency translations, net of tax		-	-	1,198	-	-	-	1,198	(3)	1,195
Share of other comprehensive income of a joint venture, net of tax	11	-	-	46	-	-	-	46	-	46
Total comprehensive income		-	-	1,244	-	-	4,263	5,507	781	6,288
Transactions with owners										
Ordinary shares issued pursuant to exercise of warrants	18	2,024	1,336	-	-	(324)	-	3,036	-	3,036
Dividend paid	28	-	-	-	-	-	(1,478)	(1,478)	-	(1,478)
Total transactions with owners		2,024	1,336	-	-	(324)	(1,478)	1,558	-	1,558
Balance as at 31 December 2016		74,555	1,404	26	(87)	4,022	43,982	123,902	(977)	122,925

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

		Non-distributable					Distributable			
Group	Note	Share capital RM'000	Share premium RM'000	Exchange translation reserve RM'000	Treasury shares RM'000	Warrants reserve RM'000	Retained earnings RM'000	Total attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
Balance as at 1 January 2017		74,555	1,404	26	(87)	4,022	43,982	123,902	(977)	122,925
Profit for the financial year		-	-	-	-	-	4,358	4,358	6,484	10,842
Foreign currency translations, net of tax		-	-	(2,669)	-	-	-	(2,669)	(409)	(3,078)
Reclassification of exchange translation reserve to profit or loss upon partial disposal of a subsidiary	9(b)(i)	-	-	(305)	-	-	-	(305)	-	(305)
Share of other comprehensive loss of an associate, net of tax	10	-	-	(45)	-	-	-	(45)	-	(45)
Share of other comprehensive loss of a joint venture, net of tax	11	-	-	(88)	-	-	-	(88)	-	(88)
Total comprehensive income		-	-	(3,107)	-	-	4,358	1,251	6,075	7,326
Transactions with owners										
Ordinary shares issued pursuant to exercise of warrants	18	1,771	-	-	-	(171)	-	1,600	-	1,600
Shares acquired by non-controlling interests		-	-	-	-	-	10,517	10,517	23,592	34,109
Partial disposal of a subsidiary	9(b)(i)	-	-	-	-	-	-	-	201	201
Dividend paid	28	-	-	-	-	-	(1,490)	(1,490)	-	(1,490)
Total transactions with owners		1,771	-	-	-	(171)	9,027	10,627	23,793	34,420
Transfer pursuant to Companies Act 2016 *		1,404	(1,404)	-	-	-	-	-	-	-
Balance as at 31 December 2017		77,730	-	(3,081)	(87)	3,851	57,367	135,780	28,891	164,671

* *Pursuant to the Companies Act 2016, the credit balance in the share premium account has been transferred to the share capital account.*

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

Company	Note	Non-distributable				Distributable	
		Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Warrants reserve RM'000	Retained earnings RM'000	Total equity RM'000
Balance as at 1 January 2016		72,531	68	(87)	4,346	15,339	92,197
Profit for the financial year		-	-	-	-	12,166	12,166
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	12,166	12,166
Transactions with owners							
Ordinary shares issued pursuant to exercise of warrants	18	2,024	1,336	-	(324)	-	3,036
Dividend paid	28	-	-	-	-	(1,478)	(1,478)
Total transactions with owners		2,024	1,336	-	(324)	(1,478)	1,558
Balance as at 31 December 2016/1 January 2017		74,555	1,404	(87)	4,022	26,027	105,921
Profit for the financial year		-	-	-	-	35,591	35,591
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	35,591	35,591
Transactions with owners							
Ordinary shares issued pursuant to exercise of warrants	18	1,771	-	-	(171)	-	1,600
Dividend paid	28	-	-	-	-	(1,490)	(1,490)
Total transactions with owners		1,771	-	-	(171)	(1,490)	110
Transfer pursuant to Companies Act 2016		1,404	(1,404)	-	-	-	-
Balance as at 31 December 2017		77,730	-	(87)	3,851	60,128	141,622

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		15,777	5,932	35,593	12,167
Adjustments for:					
Amortisation of intangible assets	8	81	81	-	-
Depreciation of property, plant and equipment	7	4,947	4,754	56	124
Fair value adjustments on loans to subsidiaries		-	-	(109)	(120)
Inventories written down	16	191	587	-	-
Impairment losses on trade receivables	13(a)	38	15	-	-
Finance costs		1,420	1,420	7	45
Net gain on disposals of:					
- property, plant and equipment		(876)	(134)	(57)	(16)
- subsidiaries	9	(6,827)	-	(5,235)	-
Dividend income from subsidiaries	24	-	-	(26,594)	(10,505)
Interest income		(258)	(173)	(2,527)	(2,377)
Property, plant and equipment written off	7	6	-	-	-
Intangible assets written off	8	*	-	-	-
Reversal of inventories written down	16	(111)	(63)	-	-
Reversal of impairment losses on:					
- trade receivables	13(a)	(10)	-	-	-
- investments in subsidiaries	9(d)(i)	-	-	(2,545)	-
Share of losses of associates, net of tax	10	323	-	-	-
Share of profit of a joint venture, net of tax	11	(282)	(215)	-	-
Net unrealised loss/(gain) on foreign exchange		561	(450)	*	(187)
Operating profit/(loss) before changes in working capital		14,980	11,754	(1,411)	(869)
Increase in inventories		(2,152)	(1,846)	-	-
Increase in property development costs		(9,361)	(8,073)	-	-
(Increase)/Decrease in trade and other receivables		(60,517)	(6,588)	7	16
Increase/(Decrease) in trade and other payables		81,829	39,695	(949)	977
Cash generated from/(used in) operations		24,779	34,942	(2,353)	124
Tax refunded		67	495	4	-
Tax paid		(6,103)	(2,220)	(2)	(2)
Net cash from/(used in) operating activities		18,743	33,217	(2,351)	122

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of:					
- property, plant and equipment	7	(6,980)	(4,519)	-	-
- intangible assets	8	(35)	(4)	-	-
Advances to subsidiaries		-	-	(6,775)	(4,828)
Repayment (to)/from a joint venture		(34)	30	-	-
Advances to associates		(212)	-	-	-
Dividends received from a joint venture	11	440	319		-
Dividends received from subsidiaries		-	-	9,041	11,304
Interest received		258	173	33	132
Proceeds from disposals of property, plant and equipment		4,292	627	308	477
Net cash outflow from partial disposal of a subsidiary	9(b)(i)	(4,668)	-	-	-
Acquisition of additional interest in a subsidiary		-	-	-	(7,317)
Acquisition of investments in associates		(250)	-	-	-
Deposits placed with financial institutions with original maturity of more than three (3) months		(1,822)	(99)	-	-
Placement of restricted cash		(70)	(77)	-	-
Net cash (used in)/from investing activities		(9,081)	(3,550)	2,607	(232)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to owners of the parent	28	(1,490)	(1,478)	(1,490)	(1,478)
Interest paid		(3,095)	(3,973)	(7)	(45)
Proceeds from issuance of ordinary shares pursuant to exercise of warrants		1,600	3,036	1,600	3,036
Proceeds from issuance of shares to non-controlling interests		34,109	-	-	-
Drawdowns of borrowings		24,798	21,250	-	-
Repayments of borrowings		(42,693)	(51,530)	(157)	(904)
Repayments of hire purchase creditors		(1,447)	(1,028)	(298)	(496)
Net cash from/(used in) financing activities		11,782	(33,723)	(352)	113
Net increase/(decrease) in cash and cash equivalents		21,444	(4,056)	(96)	3
Effects of exchange rate changes on cash and cash equivalents		(1,026)	316	*	2
Cash and cash equivalents as at beginning of financial year		17,003	20,743	224	219
Cash and cash equivalents as at end of financial year	17(e)	37,421	17,003	128	224
Reconciliation of liabilities arising from financing activities					
Borrowings at 1 January **		50,293	78,907	455	1,849
Cash flows		(19,342)	(31,308)	(455)	(1,400)
Non-cash flows					
- Acquisition of property, plant and equipment		793	2,327	-	-
- Partial disposal of a subsidiary		(2,568)	-	-	-
- Effect of foreign exchange		(607)	367	-	6
Borrowings at 31 December **	20	28,569	50,293	-	455

* Amount is less than RM1,000.

** Borrowings exclude bank overdraft.

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

1. CORPORATE INFORMATION

PRG Holdings Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal place of business of the Company is located at Lot 1883, Jalan KPB 9, Kg. Bharu Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 31 December 2017 comprise the Company and its subsidiaries and the Group's interest in a joint venture and associates. These financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 15 March 2018.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 9 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") and the provisions of the Companies Act 2016 in Malaysia.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of these financial statements in conformity with FRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

4.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) Power over the investee;

(b) Exposure, or rights, to variable returns from its involvement with the investee; and

(c) The ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) The contractual arrangement with the other vote holders of the investee;

(b) Rights arising from other contractual arrangements; and

(c) The voting rights of the Group and potential voting rights.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Basis of consolidation (cont'd)

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the parent, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.3 Business combination

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 112 *Income Taxes* and FRS 119 *Employee Benefits* respectively;

(b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with FRS 2 *Share-based Payment* at the acquisition date; and

(c) Assets (or disposal groups) that are classified as held for sale in accordance with FRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Business combination (cont'd)

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

(a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

(b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of FRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with FRS 139. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at fair value, or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by FRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 4.9(a) to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the subsequent costs would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight-line basis over their estimated useful lives. The principal depreciation periods and rates are as follows:

Long-term leasehold land	60 - 78 years
Buildings	2% - 12.5%
Plant and machinery	10% - 20%
Furniture, fittings and office equipment	10% - 20%
Motor vehicles	10% - 20%

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Property, plant and equipment and depreciation (cont'd)

Freehold land has unlimited useful life and is not depreciated. Capital work-in-progress representing machinery under installation and renovation-in-progress are stated at cost. Capital work-in-progress is not depreciated until such time when the asset is available for use.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.10 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4.5 Leases and hire purchase

(a) Finance leases and hire purchase

Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the Group's incremental borrowing rate is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

(b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

(c) Leases of land and buildings

For leases of land and buildings, the land and buildings elements are considered separately for the purpose of lease classification and these leases are classified as operating or finance leases in the same way as leases of other assets.

The minimum lease payments including any lump-sum upfront payments made to acquire the interest in the land and buildings are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and the buildings element of the lease at the inception of the lease.

For a lease of land and building in which the amount that would initially be recognised for the land element is immaterial, the land and building are treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the building is regarded as the economic life of the entire leased asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 Property development costs

Property development costs comprise all costs that are directly attributable to the development activities or that can be allocated on a reasonable basis to such activities. They comprise the cost of land under development, construction costs and other related development costs common to the whole project, including professional fees, stamp duties, commissions, conversion fees and other relevant levies as well as borrowing costs.

Property development costs not recognised as an expense are recognised as an asset and are measured at the lower of cost and net realisable value.

When revenue recognised in profit or loss exceeds progress billings to purchasers, the balance is classified as accrued billings under current assets. When progress billings exceed revenue recognised in profit or loss, the balance is classified as progress billings under current liabilities.

4.7 Construction contracts

Contract costs comprise costs related directly to the specific contract and those that are attributable to the contract activity in general and can be allocated to the contract and such other costs that are specifically chargeable to the customer under the terms of the contract.

When the total costs incurred on construction contracts plus recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers for contract work. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers for contract works.

4.8 Investments

(a) Subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost less impairment losses, if any. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale).

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

(b) Associates

An associate is an entity over which the Group and the Company have significant influence and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is neither control nor joint control over those policies.

In the separate financial statements of the Company, an investment in associate is stated at cost less impairment losses.

An investment in associate is accounted for in the consolidated financial statements using the equity method of accounting. The investment in associate in the consolidated statement of financial position is initially recognised at cost and adjusted thereafter for the post acquisition change in the share of net assets of the investments of the Group.

The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long term interest that, in substance, form part of the net investment in the associate of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Investments (cont'd)

(b) Associates (cont'd)

The share of the profit or loss of the associate by the Group during the financial year is included in the consolidated financial statements, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount could also be necessary for changes in the proportionate interest of the Group in the associate arising from changes in the associate's equity that have not been recognised in the associate's profit or loss. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The share of those changes by the Group is recognised directly in equity of the Group.

Unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the interest of the Group in the associate to the extent that there is no impairment.

When the share of losses of the Group in the associate equals to or exceeds its interest in the associate, the carrying amount of that interest is reduced to nil and the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on its behalf.

The most recent available financial statements of the associate are used by the Group in applying the equity method. When the end of the reporting periods of the financial statements are not coterminous, the share of results is arrived at using the latest audited financial statements for which the difference in end of the reporting periods is no more than three (3) months. Adjustments are made for the effects of any significant transactions or events that occur between the intervening periods.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when the equity method is discontinued is recognised in profit or loss.

When the interest of the Group in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

(c) Joint arrangements

A joint arrangement is an arrangement in which two or more parties have joint control. The parties are bound by a contractual arrangement which gives two or more parties joint control of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is either a joint operation or a joint venture.

The Group determines the type of joint arrangement in which it is involved, based on the rights and obligations of the parties to the arrangement. In assessing the classification of interests in joint arrangements, the Group considers:

(i) The structure of the joint arrangement;
(ii) The legal form of joint arrangements structured through a separate vehicle;
(iii) The contractual terms of the joint arrangement agreement; and
(iv) Any other facts and circumstances.

When there are changes in the facts and circumstances, the Group reassesses whether the type of joint arrangement in which it is involved has changed.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Investments (cont'd)

(c) Joint arrangements (cont'd)

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. These parties are known as joint venturers.

In the separate financial statements of the Company, an investment in a joint venture is stated at cost.

Any premium paid for an investment in a joint venture above the fair value of the share of the identifiable assets, liabilities and contingent liabilities acquired of the Group is capitalised and included in the carrying amount of the investment in joint venture. Where there is an objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in accordance with FRS 136 *Impairment of Assets* as a single asset, by comparing its recoverable amount with its carrying amount.

The Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with FRS 128 *Investments in Associates and Joint Ventures.*

Under the equity method, the investment in joint venture is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the joint venture after the date of acquisition. When the Group's share of losses in a joint venture equal or exceeds its interest in a joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

4.9 Intangible assets

(a) Goodwill

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount could be impaired. Objective events that would trigger a more frequent impairment review include adverse industry or economic trends, significant restructuring actions, significantly lowered projections of profitability, or a sustained decline in the acquiree's market capitalisation. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill arising on acquisition of an associate is the excess of cost of investment over the share of the net fair value of net assets of the associates' identifiable assets and liabilities by the Group at the date of acquisition.

Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. The excess of the share of the net fair value of the associate's identifiable assets and liabilities by the Group over the cost of investment is included as income in the determination of the share of the associate's profit or loss by the Group in the period in which the investment is acquired.

(b) Other intangible assets

Other intangible assets are recognised only when the identifiability, control and future economic benefit probability criteria are met.

The Group recognises an intangible asset of the acquiree at the acquisition date separately from goodwill, irrespective of whether the asset had been recognised by the acquiree before the business combination. In-process research and development projects acquired in such combinations are recognised as an asset even if subsequent expenditure is written off because the criteria specified in the policy for research and development is not met.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

Intangible assets are initially measured at cost. The cost of intangible assets recognised in a business combination is their fair values as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives and are assessed for any indication that the asset could be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in profit or loss and is included within the other operating expenses line item.

An intangible asset has an indefinite useful life when based on the analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the Group. Intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the carrying amount may be impaired. Such intangible assets are not amortised. Their useful lives are reviewed at the end of each reporting period to determine whether events and circumstances continue to support the indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate in accordance with FRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors.*

Expenditure on an intangible item that is initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset is recognised in profit or loss when the asset is derecognised.

Computer software

Costs that are associated with identifiable and unique software products controlled by the Group and have probable economic benefit exceeding the cost beyond one year are recognised as intangible assets. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software costs are stated at cost less accumulated amortisation cost and accumulated impairment losses, if any. These costs are amortised using the straight line method over their estimated useful lives of two (2) to ten (10) years.

License

Acquired license has finite useful live and is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight line method to allocate the cost of the licenses over their estimated useful lives of ten (10) years.

4.10 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries, associates and a joint venture), assets arising from construction contracts, property development costs, deferred tax assets and inventories, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill that has an indefinite useful life is tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill might be impaired.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Impairment of non-financial assets (cont'd)

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's CGU or groups of CGU that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment determined in accordance with FRS 8 *Operating Segments*.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the goodwill, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Such reversals are recognised as income immediately in profit or loss.

4.11 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average cost formula. Cost of consumables and raw materials comprises all costs of purchase plus the cost of bringing the inventories to their existing location and condition. The cost of work-in-progress and manufactured inventories includes the cost of raw materials, direct labour, other direct costs and a proportion of production overheads based on normal operating capacity of the production facilities.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 Financial instruments (cont'd)

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the right of the Group to receive payment is established.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in FRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of every reporting period, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Before 31 January 2017

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity.

After 31 January 2017

Ordinary shares are recorded at the proceeds received at issuance and classified as equity. Transaction costs directly related to the issuance of equity instrument are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting date and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statement of financial position. To the extent that the carrying amount of the treasury shares exceeds the share premium account, it shall be considered as a reduction of any other reserves as may be permitted by the Companies Act 2016 in Malaysia.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sales consideration and the carrying amount is shown as a movement in equity.

Warrants reserve

Proceeds from warrants which are issued at fair value, are credited to a warrants reserve. Warrants reserve is non-distributable, and is transferred to the share premium account upon the exercise of the warrants. Warrants reserve in relation to unexercised warrants at the expiry of the warrants period is transferred to retained earnings.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

(a) Held-to-maturity investment and loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable or investee, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss on held-to-maturity investment and loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of held-to-maturity investment is directly reduced by the impairment loss whilst the carrying amount of loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

(b) Available-for-sale financial assets

The Group collectively considers factors such as significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market as objective evidence that available-for-sale financial assets are impaired.

If any such objective evidence exists, an amount comprising the difference between the financial asset's cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in subsequent periods. Instead, any increase in the fair value subsequent to the impairment loss is recognised in other comprehensive income.

Impairment losses on available-for-sale debt investments are subsequently reversed to profit or loss if the increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

4.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes and real property gains taxes payable on the disposal of properties.

Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profit (including withholding taxes payable by foreign subsidiaries on distribution of retained earnings to companies in the Group), and real property gains taxes payable on disposal of properties.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profit would be available, such reductions would be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

4.16 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions for restructuring are recognised when the Group has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 Provisions (cont'd)

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.17 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

4.18 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.

(b) Defined contribution plans

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund and foreign subsidiaries make contributions to their respective countries' statutory pension schemes. The contributions are recognised as a liability after deducting any contributions already paid and as an expense in the period in which the employees render their services.

4.19 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost, are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 Foreign currencies (cont'd)

(c) Foreign operations

Financial statements of foreign operations are translated at the end of the reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to items reflected in profit or loss or other comprehensive income. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of the net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in profit or loss in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of the reporting period.

4.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows:

(a) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer and where the Group retains no continuing managerial involvement over the goods, which coincides with the delivery of goods and services and acceptance by customers.

(b) Property development

Property development revenue is recognised in respect of all development units that have been sold. Revenue recognition commences when the sale of the development unit is effected, upon the commencement of development and construction activities and when the financial outcome can be reliably estimated. The attributable portion of property development cost is recognised as an expense in the period in which the related revenue is recognised. The amount of such revenue and expenses recognised is determined by reference to the stage of completion of development activity at the end of each reporting period. The stage of completion is measured by reference to the property development costs incurred for work performed to date as a percentage of the estimated total property development costs.

When the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable to be recoverable and the property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project is recognised as an expense immediately, including costs to be incurred over the defects liability period.

(c) Construction contracts

Profits from contract works are recognised on a percentage of completion method. Percentage of completion is determined on the proportion of construction contract costs incurred for work performed to date against total estimated construction contract costs where the outcome of the project can be estimated reliably.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.20 Revenue recognition (cont'd)

(c) Construction contracts (cont'd)

When it is probable that total construction contract costs will exceed total construction contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, construction contract revenue is recognised only to the extent of construction contract costs incurred that it is probable will be recoverable and construction contract costs are recognised as an expense in the period in which they are incurred.

(d) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

(e) Management fees

Management fees are recognised when services are rendered.

(f) Interest income

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

(g) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease. The aggregate cost of incentives provided to the lessee is recognised as a reduction of rental income over the lease term on a straight line basis.

4.21 Earnings per share

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

4.22 Operating segments

Operating segments are defined as components of the Group that:

(a) engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenue.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.22 Operating segments (cont'd)

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten (10) per cent or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten (10) per cent or more of the greater, in absolute amount of:

  (i) the combined reported profit of all operating segments that did not report a loss; and

  (ii) the combined reported loss of all operating segments that reported a loss.

(c) Its assets are ten (10) per cent or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy five (75) percent of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

4.23 Fair value measurements

The fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement method adopted assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

(a) The condition and location of the asset; and

(b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

(a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and

(b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

5. ADOPTION OF NEW FRSs AND AMENDMENTS TO FRSs

5.1 New FRSs adopted during the financial year

On 1 January 2017, the Group and the Company adopted the following Standards that are mandatory for annual financial periods beginning on or after 1 January 2017.

Title	**Effective Date**
Amendments to FRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to FRS 107 *Disclosure Initiative*	1 January 2017
Amendments to FRS 12 *Annual Improvements to FRS Standards 2014 - 2016 Cycle*	1 January 2017

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

5.2 New FRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

The Standards that are issued but not yet effective up to the date of issuance of financial statements of the Group and of the Company are disclosed below. The Group and the Company intend to adopt these Standards, if applicable, when they become effective.

Title	**Effective Date**
FRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	1 January 2018
Amendments to FRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 1 *Annual Improvements to FRS Standards 2014 - 2016 Cycle*	See FRS 1 Paragraphs 39AD and 39ADAA
Amendments to FRS 128 *Annual Improvements to FRS Standards 2014 - 2016 Cycle*	See FRS 128 Paragraphs 45E and 45EAA
Amendments to FRS 140 *Transfers of Investment Property*	See FRS 140 Paragraphs 85G and 85GAA
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	See IC Interpretation 22 Paragraphs A1 and A1AA
Amendments to FRS 4 *Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts*	See FRS 4 Paragraphs 46, 47AA and 48
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	See IC Interpretation 23 Paragraphs B1 and B1AA
Amendments to FRS 10 and FRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The above Standards shall be superseded upon adoption of the MFRS Framework on 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

5. ADOPTION OF NEW FRSs AND AMENDMENTS TO FRSs (CONT'D)

5.3 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 *Agriculture* and IC Interpretation 15 *Agreements for Construction of Real Estate*, including its parent, significant investor and venture (herein called "Transitioning Entities").

Transitioning Entities are allowed to defer adoption of the new MFRS Framework. Consequently, adoption of the MFRS Framework by Transitioning Entities would be mandatory for annual periods beginning on or after 1 January 2018.

The Group falls within the scope definition of Transitioning Entities and accordingly, would be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the financial year ending 31 December 2018. In presenting its first MFRS financial statements, the Group would be required to adjust the comparative financial statements prepared under the FRSs to amounts reflecting the application of the MFRS Framework. The majority of the adjustments required on transition would be made, retrospectively, against opening retained earnings. The Group has opted to defer the adoption of the MFRS Framework to the financial period beginning 1 January 2018.

In adopting the new MFRS Framework, the Group would be required to apply the specific transition requirements in MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*. In addition to the adoption of the new MFRS Framework, the following new MFRSs and amendments to the MFRSs are effective for annual periods beginning on or after 1 January 2018:

Title	Effective Date
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	See MFRS 4 Paragraphs 46 and 48
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards, since the effects would only be observable for future financial years.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the management of the Group and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Recognition of property development revenue, costs estimates and profit recognition

Property development revenue, property development costs and the profit recognition thereof involve significant judgements in estimating the saleability, selling prices and estimated completion costs of the development.

In estimating saleability and selling prices, the Group considers the number of units sold to-date, the current economic condition and the market selling prices.

In estimating the total costs to complete, the Group considers the completeness and accuracy of its costs estimation, including its obligations to contract variations, claims and cost contingencies. The total costs to complete including, sub-contractors' costs, can vary with market conditions and may also be incorrectly forecasted due to unforeseen events during development.

(b) Revenue recognition of manufacturing division

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

Management identified revenue of manufacturing division as one of the key performance indicators of the Group which could create an incentive for management to record revenue inappropriately to meet targets or expectations and because the large transaction volume increases the possibility of errors in recognising revenue.

(c) Recoverability of trade receivables

Management recognises allowances for impairment losses on trade receivables based on specific known facts or circumstances or customers' abilities to pay.

The determination of whether trade receivables are recoverable involves significant management judgement and inherent subjectivity given uncertainty regarding the ability of the trade receivables to settle their debts. Management focused on the risk that the impairment losses on trade receivables may be understated and hence, further impairment losses may be required.

(d) Adequacy of write-down of inventories to net realisable value

Write-down of inventories to net realisable value was mainly based on management's estimates, which had been derived from expectation of current market prices and future demand.

Management focused on the risk that the carrying amount of inventories may not be stated at the lower of cost and net realisable value, the determination of which requires the management to exercise significant judgement in estimating the net realisable value of the inventories.

In estimating the net realisable value of the inventories, the management considers the current economic trends, inventories' ageing and changes in customer preference of the respective inventories.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(e) Partial disposal of a subsidiary

The Group reduced its equity interest in Furnitech Components (Vietnam) Co., Ltd. ("Furnitech") from 82.01% to 45.06%. The calculation of the gain on partial disposal of RM6,824,000 under FRSs involved the determination of the fair value of the retained equity interest of 45.06% in Furnitech which is also the cost on initial recognition of interest in an associate as Furnitech became an associate of the Group upon the completion of the transaction.

Management focused on the accounting treatment for the partial disposal of Furnitech due to its financial significance to the financial statements and the complexity of the related accounting treatment under FRSs as disclosed in Note 9(b)(i) to the financial statements.

(f) Impairment assessment of the carrying amounts of costs of investments in subsidiaries and amounts owing by subsidiaries

Management used a Value in Use model to compute the present value of forecasted future cash flows for the Cash Generating Units ("CGUs") to determine if there is any impairment loss required on the cost of invesments in subsidiaries and amounts owing by subsidiaries.

Management have focused on the impairment assessment of the carrying amounts of the cost of investments in subsidiaries and the amounts owing by subsidiaries as the process is complex and the determination of whether or not an impairment loss is necessary involved significant judgements and estimates by the Directors about the future results and key assumptions applied to cash flow projections of the CGUs in determining their recoverable amounts. These key assumptions include forecast growth in future revenues and operating profit margins, as well as determining an appropriate pre-tax discount rate and growth rates.

7. PROPERTY, PLANT AND EQUIPMENT

Group	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	Capital work-in-progress RM'000	Total RM'000
Cost								
At 1 January 2016	1,009	6,859	38,673	47,327	2,885	4,836	251	101,840
Additions	-	-	118	3,234	189	1,164	2,141	6,846
Disposals	-	-	-	(9)	(16)	(1,381)	-	(1,406)
Reclassifications	-	-	-	1,740	-	-	(1,740)	-
Translation adjustments	-	-	550	903	24	22	21	1,520
At 31 December 2016/ 1 January 2017	1,009	6,859	39,341	53,195	3,082	4,641	673	108,800
Additions	-	-	103	7,315	235	-	120	7,773
Disposals	-	-	-	(3,076)	(4)	(1,215)	-	(4,295)
Partial disposal of a subsidiary	-	-	(3,773)	(2,769)	(38)	(59)	-	(6,639)
Written off	-	-	-	-	(14)	-	-	(14)
Reclassifications	-	-	-	619	-	-	(619)	-
Translation adjustments	-	-	(1,313)	(2,247)	(63)	(50)	(12)	(3,685)
At 31 December 2017	1,009	6,859	34,358	53,037	3,198	3,317	162	101,940

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	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	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation								
At 1 January 2016	-	1,394	9,434	38,686	1,984	2,384	-	53,882
Depreciation charge for the financial year	-	88	1,219	2,463	239	745	-	4,754
Disposals	-	-	-	(7)	(9)	(897)	-	(913)
Translation adjustments	-	-	206	671	18	16	-	911
At 31 December 2016/ 1 January 2017	-	1,482	10,859	41,813	2,232	2,248	-	58,634
Depreciation charge for the financial year	-	88	1,220	2,738	268	633	-	4,947
Disposals	-	-	-	(113)	(4)	(762)	-	(879)
Partial disposal of a subsidiary	-	-	(801)	(2,100)	(28)	(59)	-	(2,988)
Written off	-	-	-	-	(8)	-	-	(8)
Translation adjustments	-	-	(505)	(1,667)	(50)	(39)	-	(2,261)
At 31 December 2017	-	1,570	10,773	40,671	2,410	2,021	-	57,445
Carrying amount								
At 31 December 2016	1,009	5,377	28,482	11,382	850	2,393	673	50,166
At 31 December 2017	1,009	5,289	23,585	12,366	788	1,296	162	44,495

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost			
At 1 January 2016	9	1,220	1,229
Disposals	(9)	(607)	(616)
At 31 December 2016/1 January 2017	-	613	613
Disposals	-	(613)	(613)
At 31 December 2017	-	-	-
Accumulated depreciation			
At 1 January 2016	1	336	337
Depreciation charge for the financial year	1	123	124
Disposals	(2)	(153)	(155)
As at 31 December 2016/1 January 2017	-	306	306
Depreciation charge for the financial year	-	56	56
Disposals	-	(362)	(362)
At 31 December 2017	-	-	-
Carrying amount			
At 31 December 2016	-	307	307
At 31 December 2017	-	-	-

(a) As at 31 December 2017, freehold land, long-term leasehold land, buildings and certain plant and machinery of the Group with a total carrying amount of RM30,285,000 (2016: RM35,777,000) are pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 20 to the financial statements.

(b) Included in property, plant and equipment of the Group and of the Company are motor vehicles and plant and machinery acquired under hire purchase arrangements with carrying amounts of RM3,318,000 (2016: RM2,056,000) and RMNil (2016: RM307,000) respectively.

(c) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	Group 2017 RM'000	Group 2016 RM'000
Purchase of property, plant and equipment	7,773	6,846
Financed by hire purchase arrangements	(793)	(2,327)
Cash payments on purchase of property, plant and equipment	6,980	4,519

(d) Land premium for two (2) parcels of leasehold land of the Group was paid for an extension of sixty (60) years on 12 February 2015 and subject to perfection of the documentation by authorities.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

8. INTANGIBLE ASSETS

Group	Goodwill RM'000	Computer software RM'000	License RM'000	Total RM'000
Cost				
At 1 January 2016	1,924	614	21	2,559
Additions	-	4	-	4
Translation adjustments	-	6	-	6
At 31 December 2016/1 January 2017	1,924	624	21	2,569
Additions	-	35	-	35
Written off	-	*	-	*
Partial disposal of a subsidiary	-	(33)	(21)	(54)
Translation adjustments	-	(15)	*	(15)
At 31 December 2017	1,924	611	-	2,535
Accumulated amortisation				
At 1 January 2016	-	315	19	334
Amortisation charge for the financial year	-	79	2	81
Translation adjustments	-	6	-	6
At 31 December 2016/1 January 2017	-	400	21	421
Amortisation charge for the financial year	-	81	-	81
Written off	-	*	-	*
Partial disposal of a subsidiary		(33)	(21)	(54)
Translation adjustments	-	(13)	*	(13)
At 31 December 2017	-	435	-	435
Accumulated impairment loss				
At 31 December 2016/31 December 2017	691	-	-	691
Carrying amount				
At 31 December 2016	1,233	224	-	1,457
At 31 December 2017	1,233	176	-	1,409

* Amount is less than RM1,000.

The carrying amount of goodwill arising from the acquisition of the respective subsidiaries and allocated to the Group's CGU is as follows:

	Group 2017 RM'000	Group 2016 RM'000
Manufacturing of webbings, yarn and furniture components	1,233	1,233

8. INTANGIBLE ASSETS (CONT'D)

(a) For the purpose of impairment testing, 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 is derived based on management's cash flow projections for three (3) financial years from 2018 to 2020.

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

(i) The anticipated average annual revenue growth rates used in the cash flow projections of the CGU ranged from 5% to 10% (2016: 12% to 18%) per annum for the years 2018 to 2020.

(ii) Profit margins are projected based on the historical profit margin achieved for the products.

(iii) Pre-tax discount rate of 13.96% (2016: 8.39%) was applied over the projection periods in determining the recoverable amount of the CGU. The discount rate used is pre-tax and reflects the overall weighted average cost of capital of the CGU.

(b) 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 further exceed its recoverable amount.

9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	**2016**
	RM'000	**RM'000**
Unquoted equity shares - at cost	74,655	56,289
Less: Impairment losses	-	(2,545)
	74,655	53,744

(a) Incorporation of subsidiaries

(i) During the financial year, the Company incorporated the following subsidiaries:

- On 3 March 2017, the Company incorporated and subscribed for 1,000,000 ordinary shares representing 100% equity interest in Furniweb Holdings Limited ("FHL"), a company incorporated in the Cayman Islands, as an exempted company with limited liability. On 21 September 2017, 19,000,000 new ordinary shares of FHL were allotted and issued, credited as fully paid, together with 1,000,000 shares which were allotted and issued earlier on, credited as fully paid, to the Company as a consideration to dispose its entire equity interest in FIPB International Limited ("FIPB") to FHL.

- On 13 April 2017, the Company incorporated and subscribed for one (1) ordinary share representing 100% equity interest in Premier International Marketing Sdn. Bhd., a company incorporated in Malaysia, for a total consideration of RM1.00. The one (1) ordinary share was transferred to PRG Agro Sdn. Bhd. ("PRG Agro") (formerly known as PRG Global Sdn. Bhd.) for a total consideration of RM1.00 on 11 July 2017.

- On 22 May 2017, the Company incorporated and subscribed for one (1) ordinary share representing 100% equity interest in PRG Agro, a company incorporated in Malaysia, for a total consideration of RM1.00.

- On 6 June 2017, the Company incorporated and subscribed for one (1) ordinary share representing 100% equity interest in PRG Asset Sdn. Bhd., a company incorporated in Malaysia, for a total consideration of RM1.00.

- On 28 June 2017, the Company incorporated and subscribed for one (1) ordinary share representing 100% equity interest in PRG Construction Sdn. Bhd. ("PRGCSB"), a company incorporated in Malaysia, for a total consideration of RM1.00.

9. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(a) Incorporation of subsidiaries (cont'd)

(i) During the financial year, the Company incorporated the following subsidiaries (cont'd):

- On 8 August 2017, the Company incorporated and subscribed for one (1) ordinary share representing 100% equity interest in Premier JPC Sdn. Bhd. ("PJPC"), a company incorporated in Malaysia, for a total consideration of RM1.00.

- On 22 August 2017, the Company incorporated and subscribed for one (1) ordinary share representing 100% equity interest in PRG Management Services Sdn. Bhd., a company incorporated in Malaysia, for a total consideration of RM1.00.

(ii) On 21 April 2017, a wholly-owned subsidiary of the Company, PRG Property Sdn. Bhd. ("PRGPSB") (formerly known as Premier Gesture Sdn. Bhd.) incorporated and subscribed for one (1) ordinary share representing 100% equity interest in Premier Construction International Sdn. Bhd., a company incorporated in Malaysia, for a total consideration of RM1.00.

(iii) On 14 June 2017, a wholly-owned subsidiary of the Company, PRG Agro incorporated and subscribed for one (1) ordinary share representing 100% equity interest in Premier Food Processing Sdn. Bhd., a company incorporated in Malaysia, for a total consideration of RM1.00.

(iv) On 7 July 2017, a wholly-owned subsidiary of the Company, PRGCSB incorporated and subscribed for one (1) ordinary share representing 100% equity interest in Premier Mirach Sdn. Bhd. ("PMSB"), a company incorporated in Malaysia, for a total consideration of RM1.00.

(v) On 31 July 2017, a wholly-owned subsidiary of the Company, PRGPSB incorporated and subscribed for one (1) ordinary share representing 100% equity interest in Premier Aspirasi Development Sdn. Bhd. ("PADSB"), a company incorporated in Malaysia, for a total consideration of RM1.00. The one (1) ordinary share was transferred to PJPC for a total consideration of RM1.00 on 2 October 2017.

(vi) On 10 August 2017, the wholly-owned subsidiaries of the Company, PRGPSB and PADSB have jointly incorporated and subscribed for ten (10) ordinary shares representing 100% equity interest in Premier Aspirasi (Batu Gajah) Sdn. Bhd. ("PABG"), a company incorporated in Malaysia, with shareholdings of 90% and 10% respectively.

(b) Disposals of subsidiaries

(i) On 26 July 2017, Furniweb (Vietnam) Shareholding Company ("FVSC"), a wholly-owned subsidiary of the Group, Scoot Filoot Pty Ltd ("Scoot") and Shann Australia Pty Ltd ("Shann") entered into a share purchase agreement with Lubra Beteiligungsgesellschaft mbH ("Lubra") to transfer 14.24%, 2.09% and 1.04% equity interest in Furnitech Components (Vietnam) Co., Ltd. ("Furnitech") to Lubra at a consideration of USD9,179 (approximately RM39,000), USD1,347 and USD668 respectively.

Following the completion of the above transfers, Lubra further injected USD1,310,000 to Furnitech. The charter capital of Furnitech was then increased from USD2,600,000 to USD3,910,000. The above transactions were completed on 14 September 2017.

By virtue of the above transactions, the effective equity interest in Furnitech was diluted and reduced to 45.06%. Consequently, Furnitech ceased to be a subsidiary of the Group and became an associate of the Group.

9. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(b) Disposals of subsidiaries (cont'd)

(i) (cont'd)

Effects of the partial disposal of Furnitech are as follows:

Carrying amounts of the identifiable assets and liabilities of Furnitech as at the date of partial disposal are as follows:

	2017 RM'000
Property, plant and equipment	3,651
Inventories	3,253
Trade and other receivables	1,165
Deposits placed with financial institutions with original maturity of more than 3 months	27
Cash and bank balances	4,707
Total identifiable assets	12,803
Trade and other payables	(11,350)
Borrowings	(2,568)
Total identifiable net liabilities	(1,115)

Effects of partial disposal of Furnitech on cash flows are as follows:

	2017 RM'000
Disposal consideration for the subsidiary disposed of, in cash	39
Less: Cash and cash equivalents disposed of	(4,707)
Net cash outflow from partial disposal of Furnitech	(4,668)

The gain on partial disposal of Furnitech during the financial year is as follows:

	2017 RM'000
Total identifiable assets	12,803
Total identifiable liabilities	(13,918)
Total identifiable net liabilities	(1,115)
Non-controlling interests	201
Fair value of retained equity interest	(5,566)
	(6,480)
Less: Exchange translation reserve reclassified to profit or loss	(305)
Total identifiable net liabilities and reserve	(6,785)
Less: Proceeds from partial disposal	(39)
Gain on partial disposal	(6,824)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

9. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(b) Disposals of subsidiaries (cont'd)

(ii) On 16 October 2017, PRGPSB disposed its entire 90% equity interest in PABG to PADSB for a cash consideration of RM9.00. The partial disposal resulted in a gain of RM3,000 to the Group.

(c) Dilutions of shareholding in subsidiaries

(i) On 25 August 2017, PRGCSB, PMSB and CPHL (HK) Limited ("CPHL") (collectively known as "the Parties") entered into a Shareholders' Agreement. The Parties had agreed that CPHL and PRGCSB shall subscribe for such number of shares in PMSB such that their shareholdings in PMSB shall be with CPHL owning 75% and PRGCSB owning 25%.

PMSB had, on 20 September 2017, increased its share capital from RM1.00 to RM100 vide the allotment of additional 75 and 24 new ordinary shares to CPHL and PRGCSB respectively.

On 7 November 2017, PMSB increased its share capital from RM100 to RM1,000,000 vide the allotment of additional 749,925 and 249,975 new ordinary shares to CPHL and PRGCSB respectively.

(ii) On 27 September 2017, PJPC, PADSB and SPNB Aspirasi Sdn. Bhd. ("SASB") (collectively known as "the Parties") entered into a Shareholders' Agreement ("SA"). The Parties had agreed that SASB and PJPC shall subscribe for such number of shares in PADSB such that their shareholdings in PADSB shall be with SASB owning 51% and PJPC owning 49%. PADSB had, on the same day, increased its share capital from RM1.00 to RM100 vide the allotment of additional 51 and 48 new ordinary shares to SASB and PJPC respectively.

(d) Internal reorganisations and listing of manufacturing division

(i) On 28 April 2017 and 21 September 2017, the Group undertook internal reorganisations for the manufacturing division to rationalise the Group's structure in contemplation of the listing of FHL on the GEM of the Stock Exchange of Hong Kong Limited. Details of the reorganisations are set out in the respective announcements dated 28 April 2017 and 21 September 2017.

Reversal of impairment losses on investments in subsidiaries amounting to RM2,545,000 has been recognised during the year as a result of the internal reorganisations. The internal reorganisations also resulted in a net gain on disposals of subsidiaries of RM5,235,000 to the Company.

(ii) During the financial year, FHL issued 126,000,000 new ordinary shares with par value of HKD0.10 each, by way of public offer and placing, at a price of HKD0.50 per share (hereinafter refer as "Share Offer").

Pursuant to the written resolutions of the sole shareholder passed on 20 September 2017, conditional upon the share premium account of FHL being credited with the proceeds of the Share Offer, FHL increased its share capital by HKD35,800,000 (approximately RM19,382,000) vide the allotment of an additional 358,000,000 new ordinary shares to the Company by way of capitalisation of the sum of HKD35,800,000 standing to the credit of the share premium account of FHL (hereinafter refer as "Capitalisation Issue").

The above Share Offer constitute in aggregate 25% of the enlarged share capital in FHL immediately after the completion of the Share Offer and Capitalisation Issue.

On 16 October 2017, FHL had completed the listing of and quotation for 504,000,000 ordinary shares of HKD0.10 each on the GEM of the Stock Exchange of Hong Kong Limited. Consequently, FHL became a 75% owned subsidiary of the Group.

(iii) On 22 December 2017, the Group undertook an internal reorganisation for the property division. PRG Healthcare Sdn. Bhd. ("PRG Healthcare") (formerly known as PRG Ventures Sdn. Bhd.) disposed its entire equity interest in Premier Electrify Sdn. Bhd. ("PESB") to PRG Agro.

9. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(e) During the financial year, FVSC has declared a dividend of RM13,132,000 and it has been converted to share capital. The transaction did not have any effect in the effective equity interest held by the Group.

(f) In the previous financial year:

(i) FVSC had declared a dividend of RM7,317,000 and it had been converted to share capital. The transaction did not have any effect in the effective equity interest held by the Group;

(ii) PRGPSB, a wholly-owned subsidiary of the Company, incorporated and subscribed for two (2) ordinary shares, representing 100% equity interest in Premier Baycity Sdn. Bhd. ("PBSB"), a company incorporated in Malaysia, for a total consideration of RM2.00. PBSB had then allotted and issued additional forty-nine (49) ordinary shares each to PRGPSB and Baycity Park Sdn. Bhd. Consequently, PRGPSB's total equity interest in PBSB equals to fifty-one percent (51%);

(iii) The Company incorporated and subscribed for two (2) ordinary shares representing 100% equity interest in PRG Healthcare, a company incorporated in Malaysia, for a total consideration of RM2.00;

(iv) The Company also incorporated and subscribed for one (1) ordinary shares representing 100% equity interest in FIPB, a company incorporated in British Virgin Islands, for a total consideration of USD1.00 (approximately RM4.00); and

(v) PRG Healthcare, a wholly-owned subsidiary of the Company, incorporated and subscribed for two (2) ordinary shares representing 100% equity interest in PESB, a company incorporated in Malaysia, for a total consideration of RM2.00.

(g) Interests in subsidiaries

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Interest in equity held by Company 2017 %	Company 2016 %	Subsidiaries 2017 %	Subsidiaries 2016 %	Principal activities
Furniweb Holdings Limited #	Cayman Islands	75	-	-	-	Investment holding company
Premier JPC Sdn. Bhd.	Malaysia	100	-	-	-	Investment holding company
PRG Agro Sdn. Bhd. (formerly known as PRG Global Sdn. Bhd.)	Malaysia	100	-	-	-	Investment holding company
PRG Asset Sdn. Bhd.	Malaysia	100	-	-	-	Dormant
PRG Construction Sdn. Bhd.	Malaysia	100	-	-	-	Investment holding company
PRG Management Services Sdn. Bhd	Malaysia	100	-	-	-	Dormant
PRG Property Sdn. Bhd. (formerly known as Premier Gesture Sdn. Bhd.)	Malaysia	100	100	-	-	Investment holding company
PRG Healthcare Sdn. Bhd. (formerly known as PRG Ventures Sdn. Bhd.)	Malaysia	100	100	-	-	Investment holding company
Subsidiary of Furniweb Holdings Limited						
FIPB International Limited #	British Virgin Islands	-	100	100	-	Investment holding company

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

9. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(g) Interests in subsidiaries (cont'd)

The details of the subsidiaries are as follows (cont'd):

Name of company	Country of incorporation	Interest in equity held by Company 2017 %	Company 2016 %	Subsidiaries 2017 %	Subsidiaries 2016 %	Principal activities
Subsidiaries of FIPB International Limited						
Furniweb Manufacturing Sdn. Bhd.	Malaysia	-	100	100	-	Manufacture and sale of upholstery webbings, covered elastic yarn and rigid webbings
Texstrip Manufacturing Sdn. Bhd.	Malaysia	-	100	100	-	Manufacture and marketing of rubber strips and sheets
TS Meditape Sdn. Bhd.	Malaysia	-	100	100	-	Marketing and sale of rubber strips and sheets
Webtex Trading Sdn. Bhd.	Malaysia	-	100	100	-	Investment holding and trading of machinery and accessories
Subsidiaries of Furniweb Manufacturing Sdn. Bhd.						
Furniweb Safety Webbing Sdn. Bhd.	Malaysia	-	-	100	100	Manufacture and sale of safety webbings
Syarikat Sri Kepong Sdn. Bhd.	Malaysia	-	-	100	100	Property holding company
Subsidiaries of Webtex Trading Sdn. Bhd.						
Furniweb (Vietnam) Shareholding Company *	Vietnam	-	100	100	-	Manufacture and sale of upholstery webbings and covered elastic yarn
Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd. *	Vietnam	-	43	43	-	Manufacture and sale of narrow elastic fabrics
Subsidiaries of Furniweb (Vietnam) Shareholding Company						
Furnitech Components (Vietnam) Co., Ltd. *	Vietnam	-	-	-	82.01	Manufacture and sale of metal components for furniture
Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd. *	Vietnam	-	-	57	57	Manufacture and sale of narrow fabrics

9. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(g) Interests in subsidiaries (cont'd)

The details of the subsidiaries are as follows (cont'd):

Name of company	Country of incorporation	Interest in equity held by Company 2017 %	Company 2016 %	Subsidiaries 2017 %	Subsidiaries 2016 %	Principal activities
Subsidiaries of PRG Property Sdn. Bhd. (formerly known as Premier Gesture Sdn. Bhd.)						
Premier Baycity Sdn. Bhd.	Malaysia	-	-	51	51	Property development and related activities
Premier Construction Sdn. Bhd.	Malaysia	-	-	100	100	Construction related activities
Premier De Muara Sdn. Bhd.	Malaysia	-	-	60	60	Property development and related activities
Premier Construction (International) Sdn. Bhd.	Malaysia	-	-	100	-	Construction related activities
Premier PMC Sdn. Bhd.	Malaysia	-	-	100	100	Property development and related activities
Subsidiary of PRG Healthcare Sdn. Bhd. (formerly known as PRG Ventures Sdn. Bhd.)						
Premier Electrify Sdn. Bhd.	Malaysia	-	-	-	100	Operator, merchant, promoter agent for sale and distributor of and dealers in electric charging stations for electric vehicles
Subsidiaries of PRG Agro Sdn. Bhd. (formerly known as PRG Global Sdn. Bhd.)						
Premier Food Processing Sdn. Bhd.	Malaysia	-	-	100	-	Dormant
Premier International Marketing Sdn. Bhd.	Malaysia	-	-	100	-	Dormant
Premier Electrify Sdn. Bhd.	Malaysia	-	-	100	-	Operator, merchant, promoter agent for sale and distributor of and dealers in electric charging stations for electric vehicles

* Subsidiaries audited by a member firm of BDO International.
\# Subsidiaries consolidated based on management accounts for the financial year/period ended 31 December 2017. The financial statements of the subsidiaries are not required to be audited in their country of incorporation.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

9. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(h) Non-controlling interests in subsidiaries

The subsidiaries of the Group that have non-controlling interests ("NCI") are as follows:

2017	Furniweb Holdings Limited	Premier De Muara Sdn. Bhd.	Premier Baycity Sdn. Bhd.	Other individually immaterial subsidiaries	Total
NCI percentage of ownership interest and voting interest	25%	40%	49%		
Carrying amount of NCI (RM'000)	25,475	3,725	(309)	-	28,891
Profit/(Loss) allocated to NCI (RM'000)	2,299	4,693	(277)	(231)	6,484

2016	Furnitech Components (Vietnam) Co., Ltd.	Premier De Muara Sdn. Bhd.	Premier Baycity Sdn. Bhd.	Total
NCI percentage of ownership interest and voting interest	17.99%	40%	49%	
Carrying amount of NCI (RM'000)	23	(968)	(32)	(977)
(Loss)/Profit allocated to NCI (RM'000)	(158)	974	(32)	784

The summarised financial information before intra-group elimination of the subsidiaries that have NCI as at the end of each reporting period is as follows:

2017	Furniweb Holdings Limited RM'000	Premier De Muara Sdn. Bhd. RM'000	Premier Baycity Sdn. Bhd. RM'000
Assets and liabilities			
Non-current assets	41,270	1,706	-
Current assets	82,650	221,786	23,698
Non-current liabilities	(11,111)	(59,509)	(5,000)
Current liabilities	(15,203)	(154,671)	(19,328)
Net assets/(liabilities)	97,606	9,312	(630)
Results			
Revenue	109,745	83,188	-
Profit/(Loss) for the financial year	9,194	11,732	(565)
Total comprehensive income/(loss)	7,535	11,732	(565)
Cash flows from/(used in) operating activities	7,151	25,449	(8,844)
Cash flows (used in)/from investing activities	(9,135)	(3,321)	4,715
Cash flows from/(used in) financing activities	24,698	(22,926)	4,226
Net increase/(decrease) in cash and cash equivalents	22,714	(798)	97

9. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(h) Non-controlling interests in subsidiaries (cont'd)

The summarised financial information before intra-group elimination of the subsidiaries that have NCI as at the end of each reporting period is as follows (cont'd):

2016	Furnitech Components (Vietnam) Co., Ltd. RM'000	Premier De Muara Sdn. Bhd. RM'000	Premier Baycity Sdn. Bhd. RM'000
Assets and liabilities			
Non-current assets	3,963	622	-
Current assets	5,483	172,827	3,981
Non-current liabilities	-	(59,495)	-
Current liabilities	(9,317)	(116,375)	(4,046)
Net assets/(liabilities)	129	(2,421)	(65)
Results			
Revenue	6,130	25,497	-
(Loss)/Profit for the financial year	(878)	2,435	(65)
Total comprehensive (loss)/income	(878)	2,435	(65)
Cash flows (used in)/from operating activities	(1,906)	24,281	(4,026)
Cash flows (used in)/from investing activities	(57)	9,133	4,026
Cash flows from/(used in) financing activities	1,499	(34,381)	-
Net decrease in cash and cash equivalents	(464)	(967)	-

10. INVESTMENTS IN ASSOCIATES

	Group 2017 RM'000	2016 RM'000
Unquoted equity shares, at cost	2,571	-
Goodwill	3,244	-
Share of post-acquisition reserves	(368)	-
	5,447	-

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

10. INVESTMENTS IN ASSOCIATES (CONT'D)

The details of the associates are as follows:

Name of company	Country of incorporation	Interest in equity held by subsidiaries 2017 %	2016 %	Principal activities
Furnitech Components (Vietnam) Co., Ltd. ("Furnitech") *#	Vietnam	45.06	-	Manufacture and sale of metal components for furniture
Premier Mirach Sdn. Bhd. **	Malaysia	25	-	Construction related activities
Premier Aspirasi Development Sdn. Bhd. **	Malaysia	49	-	Property development and related activities

* Audited by a member firm of BDO International.
** Associates are equity accounted based on management accounts for the financial period ended 31 December 2017.
# On 14 September 2017, the charter capital of Furnitech was increased from USD2,600,000 to USD3,910,000. As a result, the Group's effective interest in Furnitech was reduced to 45.06% and Furnitech became an associate since then.

The summarised financial information of the associates are as follows:

2017	Furnitech RM'000	Other individual immaterial associates RM'000	Total RM'000
Assets and liabilities			
Non-current assets	5,696	-	5,696
Current assets	7,146	2,536	9,682
Current liabilities	(8,433)	(1,677)	(10,110)
Net assets	4,409	859	5,268
Carrying amount of the investments in associates (including goodwill)	5,231	216	5,447
Results			
Revenue	1,550	-	1,550
Loss for the financial year	(643)	(141)	(784)
Other comprehensive loss	(95)	-	(95)
Total comprehensive loss	(738)	(141)	(879)
Share of results by the Group for the financial year			
Share of losses by the Group for the financial year	(290)	(33)	(323)
Share of other comprehensive loss by the Group for the financial year	(45)	-	(45)

11. INVESTMENT IN A JOINT VENTURE

	Group 2017 RM'000	Group 2016 RM'000
Unquoted equity shares, at cost	570	570
Share of post-acquisition reserves, net of dividends received	539	785
	1,109	1,355

The details of the joint venture are as follows:

Name of company	Country of incorporation	Interest in equity held by subsidiary 2017 %	Interest in equity held by subsidiary 2016 %	Principal activities
Trunet (Vietnam) Co., Ltd. *	Vietnam	50	50	Manufacture and marketing of meat netting

* Audited by a member firm of BDO International.

Trunet (Vietnam) Co., Ltd., the only joint venture in which the Group participates, is an unlisted separate entity. The contractual arrangement only provides the Group with the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for liabilities of the joint arrangement resting primarily with Trunet (Vietnam) Co., Ltd..

This joint arrangement has been classified as a joint venture and has been included in the consolidated financial statements using the equity method.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

11. INVESTMENT IN A JOINT VENTURE (CONT'D)

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:

	Group	
	2017 RM'000	2016 RM'000
Assets and liabilities		
Non-current assets	195	251
Current assets	2,285	2,659
Current liabilities	(261)	(200)
Net assets	2,219	2,710
Proportion of the ownership of the Group	50%	50%
Carrying amount of the investment in a joint venture	1,109	1,355
Results		
Revenue	3,644	3,274
Profit before tax	681	504
Tax expense	(118)	(74)
Profit after tax	563	430
Other comprehensive (loss)/ income	(175)	92
Total comprehensive income	388	522
Share of results by the Group for the financial year		
Share of profit by the Group for the financial year	282	215
Share of other comprehensive (loss)/ income by the Group for the financial year	(88)	46
	194	261
Other information		
Dividend income	440	319

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

12. DEFERRED TAX (ASSETS)/LIABILITIES

(a) The deferred tax (assets)/liabilities are made up of the following:

	Group	
	2017 RM'000	2016 RM'000
Balance as at 1 January	525	1,164
Recognised in profit or loss (Note 26)	(1,379)	(639)
Exchange differences	1	-
Balance as at 31 December	(853)	525
Presented after appropriate offsetting:		
Deferred tax assets, net	(1,710)	(564)
Deferred tax liabilities, net	857	1,089
	(853)	525

(b) The components and movements of deferred tax (assets)/liabilities during the financial year are as follows:

Deferred tax liabilities of the Group

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
At 1 January 2016	1,257	(78)	1,179
Recognised in profit or loss	(166)	76	(90)
At 31 December 2016/1 January 2017	1,091	(2)	1,089
Recognised in profit or loss	(234)	2	(232)
At 31 December 2017	857	-	857

Deferred tax assets of the Group

	Other deductible temporary differences RM'000	Total RM'000
At 1 January 2016	(15)	(15)
Recognised in profit or loss	(549)	(549)
At 31 December 2016/1 January 2017	(564)	(564)
Recognised in profit or loss	(1,147)	(1,147)
Exchange differences	1	1
At 31 December 2017	(1,710)	(1,710)

12. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)

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

	Group 2017 RM'000	Group 2016 RM'000
Malaysian subsidiaries		
Unrecognised tax losses	2,009	271
Unabsorbed capital allowances	141	-
Other temporary differences	14	-
	2,164	271
Foreign subsidiary		
Unrecognised tax losses *	-	3,523

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that future taxable profit of the subsidiaries will be available against which the deductible temporary differences can be utilised. The deductible temporary differences other than unrecognised tax losses of foreign subsidiaries do not expire under the current tax legislation.

* The unrecognised tax losses of RM3,523,000 as at 31 December 2016 were related to Furnitech which ceased to be a subsidiary of the Group on 14 September 2017.

13. TRADE AND OTHER RECEIVABLES

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-current					
Amount owing by a subsidiary	(b)(i)	-	-	49,953	40,603
Current					
Trade receivables					
Third parties		73,272	21,176	-	-
Retention sums	(a)(ii)	1,360	1,360	-	-
Amount owing by an associate		42	-	-	-
Amount owing by a joint venture		40	52	-	-
	(a)(i)	74,714	22,588	-	-
Less: Impairment loss - third parties	(a)(iii)	(108)	(89)	-	-
		74,606	22,499	-	-
Other receivables					
Amounts owing by subsidiaries	(b)(ii)	-	-	16,917	15,370
Amounts owing by associates	(c)	4,865	-	-	-
Amount owing by a joint venture	(d)	78	48	-	-
Other receivables		1,716	1,491	73	69
Deposits		2,060	1,687	1	1
		8,719	3,226	16,991	15,440
Loans and receivables		83,325	25,725	16,991	15,440

13. TRADE AND OTHER RECEIVABLES (CONT'D)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Deposits for land acquisition	(e)	5,179	3,897	-	-
Prepayments		2,297	1,902	13	24
Amounts due from customers for contract works	15	3,181	117	-	-
Total current		93,982	31,641	17,004	15,464
Grand total		93,982	31,641	66,957	56,067

(a) Trade receivables

(i) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from twenty-one (21) days to ninety (90) days (2016: twenty-one (21) days to ninety (90) days) from date of invoice. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

(ii) The retention sums are unsecured, interest-free and are expected to be collected as follows:

	Group 2017 RM'000	Group 2016 RM'000
Within one (1) year	1,360	-
Within two (2) to three (3) years	-	1,360
	1,360	1,360

(iii) Ageing analysis

The ageing analysis of trade receivables of the Group are as follows:

	Group 2017 RM'000	Group 2016 RM'000
Neither past due nor impaired	28,041	15,463
Past due, not impaired		
- 1 to 30 days	18,973	4,720
- 31 to 60 days	7,548	1,023
- 61 to 90 days	9,411	1,180
- More than 90 days	10,633	113
	46,565	7,036
Past due and impaired	108	89
	74,714	22,588

13. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (cont'd)

(iii) Ageing analysis (cont'd)

Receivables that are neither past due nor impaired

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

None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM46,565,000 (2016: RM7,036,000) that are past due at the end of the reporting period but not impaired. Trade receivables of the Group that are past due but not impaired are unsecured in nature. The Group closely monitors the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

Receivables that are past due and impaired

Trade receivables of the Group that are past due and impaired at the end of the reporting period are as follows:

	Individually impaired	
Group	**2017 RM'000**	**2016 RM'000**
Trade receivables, gross	108	89
Less: Impairment loss	(108)	(89)
	-	-

The reconciliation of movement in the impairment loss are as follows:

	Group	
	2017 RM'000	**2016 RM'000**
At 1 January	89	135
Charge for the financial year	38	15
Written off	-	(64)
Reversal	(10)	-
Exchange differences	(9)	3
At 31 December	108	89

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Amounts owing by subsidiaries

(i) In the previous financial year, the non-current amount owing by a subsidiary of RM807,000 represented a loan, which was unsecured, bore interest at 4% per annum and had fixed repayment terms of five (5) years, which was payable in cash and cash equivalents.

In the current financial year, the non-current amount owing by a subsidiary of RM49,953,000 (2016: RM39,796,000) represents a loan, which is unsecured, bears interest at 6.36% (2016: 6.36%) per annum and is payable in cash and cash equivalents on 31 December 2019 or upon issuance of certificate for the completion for the development project as disclosed in Note 14 to the financial statements, whichever is earlier.

13. TRADE AND OTHER RECEIVABLES (CONT'D)

(b) Amounts owing by subsidiaries (cont'd)

(ii) In the previous financial year, included in amounts owing by subsidiaries in other receivables was the current portion of RM1,976,000 of the above-mentioned loan in Note 13(b)(i) which was unsecured, bore interest at 4% per annum and was payable in cash and cash equivalents within one (1) year.

In the current financial year, amounts owing by subsidiaries represent advances and payments made on behalf, which are unsecured, interest-free and payable upon demand in cash and cash equivalents.

(c) Amounts owing by associates

Included in amounts owing by associates of the Group are loans to an associate amounting to RM4,664,000 (2016: RMNil), which are unsecured, bear interest at 3% per annum and are payable in cash and cash equivalents within one (1) year.

The remaining amounts owing by associates represent advances and payments made on behalf, which are unsecured, interest-free and payable upon demand in cash and cash equivalents.

(d) Amount owing by a joint venture

The amount owing by a joint venture represents payments made on behalf and commission charges, which are unsecured, interest-free and payable upon demand in cash and cash equivalents.

(e) Deposits for land acquisition

In the previous financial year, deposits for land acquisition represented an amount of RM3,897,000 paid to Baycity Park Sdn. Bhd. ("BPSB") pursuant to the Development Joint Venture Agreement entered between BPSB and Premier Baycity Sdn. Bhd. for the proposed development of the development land in Subang U5, Selangor.

In the current financial year, deposits for land acquisition represent an amount of RM5,179,000 paid to Cash Key (Ipoh) Sdn. Bhd. ("Cash Key") pursuant to the Mutual Agreement entered between Cash Key, SPNB Aspirasi Sdn. Bhd. and Premier Construction Sdn. Bhd. for the proposed development of 213 parcels of land in Daerah Kinta, Perak.

(f) Currency exposure profile

The currency exposure profile of trade and other receivables (exclude deposits for land acquisition, prepayments and amounts due from customers for contract works) are as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Ringgit Malaysia	63,253	8,500	66,944	51,660
United States Dollar	14,795	11,254	-	4,383
Vietnamese Dong	5,078	5,805	-	-
Pound Sterling	82	56	-	-
Euro	110	110	-	-
Hong Kong Dollar	7	-	-	-
	83,325	25,725	66,944	56,043

(g) Information on financial risks of trade and other receivables is disclosed in Note 33 to the financial statements.

14. PROPERTY DEVELOPMENT COSTS

	Group	
	2017 RM'000	2016 RM'000
Property development costs at beginning of financial year:		
- leasehold land	123,389	123,389
- development costs	52,840	24,221
- accumulated cost recognised in profit or loss	(19,306)	(1,313)
	156,923	146,297
Costs incurred during the financial year:		
- leasehold land	21,569	-
- development costs	44,143	28,619
	65,712	28,619
Costs recognised in profit or loss during the financial year:		
- leasehold land	(14,149)	(4,482)
- development costs	(40,527)	(13,511)
	(54,676)	(17,993)
Property development costs at end of financial year:		
- leasehold land	144,958	123,389
- development costs	96,983	52,840
- accumulated cost recognised in profit or loss	(73,982)	(19,306)
	167,959	156,923

(a) Included in the leasehold land under development is a piece of land provided by Almaharta Sdn. Bhd. ("ASB"), a third party, pursuant to the Joint Venture Agreement ("JVA") dated 31 December 2013 for the development in Wilayah Persekutuan, Kuala Lumpur.

Pursuant to the JVA, ASB agreed to receive the purchase consideration of the leasehold land on a deferred payment basis progressively subject to the fulfilment of the conditions precedent contained in the JVA. All conditions precedent in accordance to the JVA had been fulfilled and the JVA was deemed unconditional with effect from 30 July 2014.

During the financial year, the Group paid the final instalment of RM10,000,000 as full settlement of the purchase consideration of the leasehold land in accordance with the terms of JVA.

The Group has accrued the remaining amount of RM15,219,000 (2016: RM31,054,000) payable to ASB for the purchase consideration of the leasehold land as disclosed in Note 21(c)(i) to the financial statements.

(b) Included in the leasehold land under development is a piece of land purchased from Baycity Park Sdn. Bhd. ("BPSB") pursuant to the Development Joint Venture Agreement ("DJVA") entered between BPSB and Premier Baycity Sdn. Bhd. for the proposed development of the development land in Subang U5, Selangor.

During the financial year, the Group paid RM7,103,000 (2016: RM3,897,000) as part of the purchase consideration of the leasehold land in accordance with the terms of DJVA.

The Group has accrued the remaining amount of RM10,569,000 (2016: RMNil) payable to BPSB for the balance of the purchase consideration of the leasehold land as disclosed in Note 21(c)(ii) to the financial statements.

(c) Included in property development costs is interest expense of RM1,675,000 (2016: RM2,553,000) capitalised during the financial year at interest rate ranging from 6.27% to 6.36% (2016: 6.36%) per annum.

(d) The leasehold land together with development costs with a total carrying amount of RM167,959,000 (2016: RM156,923,000) have been pledged to licensed banks for banking facilities granted to the Group as disclosed in Note 20 to the financial statements.

15. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

	Group 2017 RM'000	Group 2016 RM'000
Construction contract costs incurred to-date	95,329	56,756
Profit attributable to work performed to-date	18,101	15,313
	113,430	72,069
Less: Progress billings	(112,043)	(72,188)
	1,387	(119)
Represented by:		
Amounts due from customers for contract works (Note 13)	3,181	117
Amounts due to customers for contract works (Note 21)	(1,794)	(236)
	1,387	(119)

The costs incurred to date on construction contract include the following charges made during the financial year:

	Group 2017 RM'000	Group 2016 RM'000
Employee benefits	1,576	1,175
Rental expenses	643	693
	2,219	1,868

16. INVENTORIES

	Group 2017 RM'000	Group 2016 RM'000
At cost		
Raw materials	11,051	10,540
Work-in-progress	3,150	3,879
Manufactured inventories	5,485	7,488
Other consumables	1,482	1,520
	21,168	23,427
At net realisable value		
Raw materials	81	121
Work-in-progress	58	205
Manufactured inventories	174	135
	313	461
	21,481	23,888

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

16. INVENTORIES (CONT'D)

During the financial year, inventories of the Group recognised as cost of sales amounted to RM41,021,000 (2016: RM35,985,000). Inventories written down during the financial year amounted to RM191,000 (2016: RM587,000) and are included in cost of sales.

The Group reversed RM111,000 (2016: RM63,000) in respect of inventories written down in previous financial years, which were subsequently not required as the Group was able to sell those inventories above their carrying amounts.

17. CASH AND BANK BALANCES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	9,947	15,215	128	216
Deposits placed with financial institutions	26,478	5,209	-	-
Investments in short term funds	5,598	80	-	8
	42,023	20,504	128	224

(a) Included in the Group's cash and bank balances is an amount of RM651,000 (2016: RM1,159,000) held under the Housing Development Account pursuant to Section 7A of Housing Development (Control and Licensing) Act, 1966, as amended by the Housing Developers (Housing Development Account) (Amendment) Regulations, 2002.

(b) Deposits placed with financial institutions of the Group have maturity periods ranging from 14 days to 180 days (2016: 7 days to 365 days) with interest rates ranging from 1.00% to 6.30% (2016: 0.70% to 5.50%) per annum.

Included in deposits placed with financial institutions of the Group is restricted cash of RM2,785,000 (2016: RM2,715,000) which represents deposits which are maintained in a designated Debt Service Reserve Account with a licensed bank in connection with banking facilities granted to the Group as disclosed in Note 20 to the financial statements.

(c) Investments in short term funds are placements made in management funds that invest in fixed deposits and short term money market instruments offered by banks or financial institutions licensed under Financial Services Act 2013 or the Islamic Financial Services Act 2013 which allow redemption with a notice period of one (1) to thirty (30) business days.

(d) The currency exposure profile of cash and bank balances are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	11,718	7,020	125	37
United States Dollar	6,549	11,461	3	187
Vietnamese Dong	3,941	1,575	*	-
Pound Sterling	2	31	-	-
Euro	178	403	-	-
Australian Dollar	*	13	-	-
Hong Kong Dollar	19,635	-	-	-
Chinese Renminbi	-	1	-	-
	42,023	20,504	128	224

* Amount is less than RM1,000.

17. CASH AND BANK BALANCES (CONT'D)

(e) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of each reporting period:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances				
Cash and bank balances	9,947	15,215	128	216
Deposits placed with financial institutions	26,478	5,209	-	-
Investments in short term funds	5,598	80	-	8
As reported in statements of financial position	42,023	20,504	128	224
Less:				
Bank overdraft (Note 20)	-	(659)	-	-
Deposits placed with financial institutions with original maturity of more than three (3) months	(1,817)	(127)	-	-
Restricted cash	(2,785)	(2,715)	-	-
As reported in statements of cash flows	37,421	17,003	128	224

(f) Information on financial risks of cash and bank balances is disclosed in Note 33 to the financial statements.

18. SHARE CAPITAL AND TREASURY SHARES

	Group and Company			
	2017		2016	
	Number of shares ('000)	RM'000	Number of shares ('000)	RM'000
Ordinary shares				
Issued and fully paid:				
Balance as at 1 January	298,220	74,555	145,062	72,531
Share split	-	-	148,109	-
Issued for cash pursuant to exercise of warrants	4,268	1,771	5,049	2,024
Transfer from share premium account pursuant to the Companies Act 2016	-	1,404	-	-
Balance as at 31 December	302,488	77,730	298,220	74,555

(a) During the financial year, the issued and paid-up share capital of the Company was increased from 298,220,374 to 302,488,174 by way of the issuance of 4,267,800 new ordinary shares pursuant to the exercise of Warrants 2014/2019 at an exercise price of RM0.375 per ordinary share for cash.

(b) In the previous financial year, the Company undertook a share split exercise involving the subdivision of every one (1) existing ordinary share of RM0.50 each into two (2) ordinary shares of RM0.25 each.

(c) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank *pari passu* with regard to the Company's residual assets.

(d) Of the total 302,488,174 (2016: 298,220,374) issued and fully paid ordinary shares as at 31 December 2017, 417,800 (2016: 417,800) ordinary shares bought for RM87,000 (2016: RM87,000) are held as treasury shares by the Company. The number of outstanding ordinary shares in issue after deducting the treasury shares is 302,070,374 (2016: 297,802,574) ordinary shares as at 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

18. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

(e) With the introduction of the Companies Act 2016 effective 31 January 2017, the concepts of authorised share capital and par value of share capital have been abolished. Consequently, the balance within the share premium account of RM1,404,000 has been transferred to the share capital account pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. Notwithstanding this provision, the Company may utilise its share premium account for purposes stipulated in Section 618(3) of the Companies Act 2016 for a transitional period of 24 months from 31 January 2017. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the member as a result of this transition.

(f) Warrants 2014/2019 ("Warrants")

On 7 July 2014, the Company issued 54,320,100 free detachable Warrants pursuant to the Rights Issue with Warrants Exercise on the basis of one (1) Warrant for every one (1) Rights Share subscribed.

The Warrants are constituted by the Deed Poll dated 2 June 2014 ("Deed Poll").

The salient features of the Warrants are as follows:

(i) Each Warrant entitles the registered holder, at any time during the Exercise Period, to subscribe for one (1) new ordinary share of the Company at the exercise price;

(ii) The exercise price for the Warrants was fixed at RM0.75 per Warrant (adjusted to RM0.375 pursuant to the share split in the financial year ended 31 December 2016);

(iii) The issue date of Warrants is 7 July 2014 and are valid for exercise for a period of 5 years from its issue date and will expire on 6 July 2019. Any Warrants not exercised by its expiry date will thereafter lapse and cease to be valid for any purpose; and

(iv) The new shares to be issued arising from the exercise of the Warrants will, upon allotment and issuance, rank *pari passu* in all respects with then existing shares, save and except that the said new shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid, prior to the date of allotment of the said new shares.

The movements in Warrants are as follows:

	Number of unexercised Warrants
At 1 January 2017	100,544,826
Exercised	(4,267,800)
At 31 December 2017	96,277,026

As at 31 December 2017, unexercised Warrants of the Company are as follows:

Date issued	Exercise price	No. of Warrants over ordinary shares	Warrants expiry date
7 July 2014	RM0.375	96,277,026	6 July 2019

19. RESERVES

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Non-distributable:					
Share premium	(a)	-	1,404	-	1,404
Warrants reserve	(b)	3,851	4,022	3,851	4,022
Exchange translation reserve	(c)	(3,081)	26	-	-
		770	5,452	3,851	5,426
Distributable:					
Retained earnings		57,367	43,982	60,128	26,027
		58,137	49,434	63,979	31,453

(a) Share premium

		Group and Company	
		2017	2016
	Note	RM'000	RM'000
Balance as at 1 January		1,404	68
Transfer to share capital pursuant to Companies Act 2016	18(e)	(1,404)	-
Arising from issuance of new ordinary shares pursuant to exercise of warrants		-	1,336
Balance as at 31 December		-	1,404

(b) Warrants reserve

Warrants reserve arose from a renounceable rights issue of 54,320,100 new ordinary shares of RM0.50 each together with 54,320,100 free new detachable warrants in the previous financial year. The fair value of RM0.08 per Warrant is determined using the Black Scholes pricing model based on the following key assumptions:

Share price	RM0.73 per Share
Exercise price	RM0.75 per Warrant
Tenure	5 years
Interest rate	4.25%
Expected volatility of the Company's share price	16.23%

In the previous financial year, the Company undertook a share split exercise involving the subdivision of every one (1) existing Warrant with an exercise price of RM0.75 each into two (2) Warrants with an exercise price of RM0.375 each. Consequently, the fair value had been adjusted to RM0.04 per Warrant.

(c) Exchange translation reserve

The exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items, which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

20. BORROWINGS

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current liabilities					
Secured:					
Term loans		2,961	21,980	-	157
Trade bills		4,105	10,141	-	-
Hire purchase creditors	(b)	1,184	971	-	115
Bank overdraft	17(e)	-	659	-	-
		8,250	33,751	-	272
Non-current liabilities					
Secured:					
Term loans		19,137	15,152	-	-
Hire purchase creditors	(b)	1,182	2,049	-	183
		20,319	17,201	-	183
		28,569	50,952	-	455
Total borrowings					
Secured:					
Term loans		22,098	37,132	-	157
Trade bills		4,105	10,141	-	-
Hire purchase creditors	(b)	2,366	3,020	-	298
Bank overdraft	17(e)	-	659	-	-
		28,569	50,952	-	455

(a) Term loans of the Group with a total carrying amount of RM7,198,000 (2016: RM21,556,000) are secured by way of:

(i) A charge over the leasehold land under development as disclosed in Note 14 to the financial statements.

(ii) Deposits maintained in a designated Debt Service Reserve Account with a licensed bank as disclosed in Note 17 to the financial statements.

The remaining term loans of the Group with a total carrying amount of RM14,900,000 (2016: RM15,576,000), trade bills and bank overdraft of the Group are secured by a pledge over the Group's freehold land, long-term leasehold land, buildings and certain plant and machinery with a total carrying amount of RM30,285,000 (2016: RM35,777,000) as disclosed in Note 7 to the financial statements.

The term loans, trade bills and bank overdraft granted to the subsidiaries are guaranteed by the Company as disclosed in Note 23 to the financial statements.

20. BORROWINGS (CONT'D)

(b) Hire purchase creditors

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Minimum hire purchase payments:				
- not later than one (1) year	1,301	1,132	-	126
- later than one (1) year but not later than five (5) years	1,236	2,182	-	189
Total minimum hire purchase payments	2,537	3,314	-	315
Less: Future interest charges	(171)	(294)	-	(17)
Present value of hire purchase payments	2,366	3,020	-	298
Repayable as follows:				
Current liabilities				
- not later than one (1) year	1,184	971	-	115
Non-current liabilities				
- later than one (1) year but not later than five (5) years	1,182	2,049	-	183
	2,366	3,020	-	298

The hire purchase liabilities are secured by assets acquired under hire purchase arrangements.

(c) The currency exposure profile of borrowings are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	24,076	40,106	-	298
United States Dollar	478	5,025	-	157
Vietnamese Dong	4,015	5,821	-	-
	28,569	50,952	-	455

(d) The borrowings of the Group and of the Company bear the following interest rates per annum:

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Term loans	3.50 - 6.36	3.25 - 6.36	-	4.05
Trade bills	2.96 - 7.20	2.50 - 7.10	-	-
Hire purchase creditors	2.18 - 4.25	2.00 - 4.25	-	2.44 - 2.47
Bank overdraft	-	8.45 - 8.70	-	-

(e) Information on financial risks of borrowings and its remaining maturity is disclosed in Note 33 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

21. TRADE AND OTHER PAYABLES

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-current					
Other payables	(c)	9,556	11,580	-	-
Current					
Trade payables					
Third parties		13,097	16,357	-	-
Retention sums		3,693	1,571	-	-
Amount owing to a joint venture		48	11	-	-
	(a)	16,838	17,939	-	-
Other payables					
Amounts owing to subsidiaries	(b)	-	-	-	2,903
Amounts owing to associates	(b)	37	-	-	-
Other payables	(c)	93,788	56,817	49	959
Accruals		21,479	7,671	70	109
		115,304	64,488	119	3,971
Amounts due to customers for contract works	15	1,794	236	-	-
Progress billings in respect of property development costs		42,068	17,579	-	-
Total current		176,004	100,242	119	3,971
Grand total		185,560	111,822	119	3,971

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from one (1) month to three (3) months (2016: one (1) month to three (3) months) from the date of invoice. The amount owing to a joint venture included in trade payables is subject to trade terms.

(b) Amounts owing to subsidiaries and associates

The amounts owing to subsidiaries and associates represent advances, which are unsecured, interest-free and payable upon demand in cash and cash equivalents.

(c) Other payables

(i) Non-current and current other payables of the Group include amounts of RM9,556,000 and RM5,663,000 respectively (2016: RM11,580,000 and RM19,474,000 respectively), which represent the present value of the remaining unpaid amount for the purchase consideration of the development land as disclosed in Note 14(a) to the financial statements.

(ii) Included in other payables of the Group is an amount of RM10,569,000 (2016: RMNil), which represent the balance of the purchase consideration of the development land as disclosed in Note 14(b) to the financial statements.

(iii) Included in other payables of the Group is an amount of RM57,759,000 (2016: RM33,668,000) paid by the underwriter pursuant to the Promoter and Underwriter Agreement.

21. TRADE AND OTHER PAYABLES (CONT'D)

(d) The currency exposure profile of trade and other payables (exclude amounts due to customers for contract works and progress billings in respect of property development costs) are as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Ringgit Malaysia	135,106	85,999	119	3,087
United States Dollar	2,094	2,107	-	-
Vietnamese Dong	4,058	4,719	-	-
Euro	97	72	-	-
Australian Dollar	57	2	-	-
Hong Kong Dollar	286	773	-	773
Chinese Renminbi	-	335	-	111
	141,698	94,007	119	3,971

(e) Information on financial risks of trade and other payables is disclosed in Note 33 to the financial statements.

22. COMMITMENTS

(a) Operating lease commitment

Non-cancellable operating lease rental are as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Not later than one (1) year	474	622
Later than one (1) year but not later than five (5) years	1,258	2,069
Later than five (5) years	6,250	10,570
	7,982	13,261

The Group's operating lease commitments comprise the followings:

(i) rental of three pieces of land under operating leases. The leases typically run for an initial period of between forty-four (44) and forty-seven (47) years, with an option to renew the lease at the end of the lease term; and

(ii) rental of a factory for a period of three (3) years, with an option to renew the lease at the end of the lease term.

None of the leases included contingent rentals.

(b) Capital commitment

	Group	
	2017 RM'000	**2016 RM'000**
Contracted but not provided for		
- Acquisition property, plant and equipment	-	396
- Acquisition of development land	3,453	7,103
	3,453	7,499

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

23. CONTINGENT LIABILITIES

	Company	
	2017 RM'000	2016 RM'000
Corporate guarantees given to banks for credit facilities granted to subsidiaries - unsecured (Note 20)		
- Limit of guarantee	200,678	183,450
- Amount utilised	27,788	49,614
Corporate guarantees given to third parties for credit limit granted to subsidiaries - unsecured		
- Limit of guarantee	103,850	98,850
- Amount utilised	2,277	14,385

The Directors are of the view that the chances of the banks and the third parties to call upon the corporate guarantees are remote. Accordingly, the fair values of the above corporate guarantees given to the subsidiaries for credit facilities are negligible.

24. REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sales of goods	109,745	97,938	-	-
Construction contract	31	8,627	-	-
Property development revenue	83,187	25,497	-	-
Dividend income	-	-	26,594	10,505
	192,963	132,062	26,594	10,505

25. PROFIT BEFORE TAX

Other than those disclosed elsewhere in the financial statements, the profit before tax is arrived at:

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
After charging:					
Auditors' remuneration:					
- statutory audit		453	210	40	36
- other services		14	14	11	11
Directors' remuneration:	30				
- Directors of the Company:					
- fees		254	211	254	211
- emoluments other than fees		3,362	2,372	-	-
- Directors of subsidiaries:					
- fees		75	-	-	-
- emoluments other than fees		4,295	3,847	-	-
Interest expense on:					
- term loans		739	863	1	25
- trade bills		494	398	-	-
- hire purchase creditors		177	142	6	20
- bank overdraft		10	17	-	-
Intangible assets written off	8	*	-	-	-
Listing expenses (including fee paid to the auditors of the Group)		10,792	3,142	-	-
Loss on disposals of subsidiaries		-	-	920	-
Loss on foreign exchange:					
- unrealised		648	20	*	-
- realised		1,404	110	395	57
Property, plant and equipment written off	7	6	-	-	-
Rental expenses on:					
- factory		187	178	-	-
- hostel		140	192	-	-
- land		362	379	-	-
- office equipment		26	16	-	-
and after crediting:					
Fair value adjustments on loans to subsidiaries		-	-	109	120
Dividend income from:					
- subsidiaries	24	-	-	26,594	10,505
- a joint venture	11	440	319	-	-
Gain on foreign exchange:					
- unrealised		87	470	-	187
- realised		377	102	-	-
Interest income from:					
- bank balances		59	72	8	4
- deposits placed with financial institutions		137	98	-	-
- investments in short term funds		26	3	*	*
- advances to subsidiaries		-	-	2,519	2,373
- advances to associates		36	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

25. PROFIT BEFORE TAX (CONT'D)

Other than those disclosed elsewhere in the financial statements, the profit before tax is arrived at (cont'd):

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
and after crediting (cont'd):					
Gain on disposals of:					
- property, plant and equipment		876	134	57	16
- subsidiaries	9	6,827	-	6,155	-
Rental income on:					
- buildings		107	-	-	-
- equipment		717	-	-	-
Reversal of impairment losses of investments in subsidiaries	9	-	-	2,545	-

* Amount is less than RM1,000.

The estimated monetary value of benefits-in-kind received by the Directors other than in cash from the Group amounted to RM169,000 (2016: RM153,000).

26. TAX EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current tax expense based on profit for the financial year:				
Malaysia				
- current year provision	4,944	787	-	-
- under/(over)-provision in prior years	52	(202)	2	1
Overseas				
- current year provision	1,180	939	-	-
- under-provision in prior years	138	-	-	-
	6,314	1,524	2	1
Deferred tax (Note 12)				
Origination and reversal of temporary differences	(1,316)	469	-	-
Over-provision in prior years	(63)	(1,108)	-	-
	(1,379)	(639)	-	-
	4,935	885	2	1

The Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2016: 24%) of the estimated taxable profits for the fiscal year.

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

26. TAX EXPENSE (CONT'D)

The numerical reconciliations between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	3,786	1,424	8,542	2,920
Tax effects in respect of:				
Effects of different tax rates in:				
- Malaysian jurisdiction	(679)	-	-	-
- foreign jurisdictions	547	(746)	-	-
Non-allowable expenses	1,872	1,922	352	144
Tax incentives	(338)	(150)	-	-
Income not subject to tax	(844)	(185)	(8,894)	(3,064)
Deferred tax assets not recognised	454	306	-	-
Utilisation of previously unrecognised deferred tax assets	-	(339)	-	-
Share of loss of associates	78	-	-	-
Share of profit of a joint venture	(68)	(37)	-	-
Under/(Over)-provision in prior years:				
- tax expense	190	(202)	2	1
- deferred tax	(63)	(1,108)	-	-
	4,935	885	2	1

Tax on each component of other comprehensive income is as follows:

	Group		
	Before tax RM'000	Tax effect RM'000	After tax RM'000
2017			
Foreign currency translations	(3,078)	-	(3,078)
Reclassification of exchange translation reserve to profit or loss upon partial disposal of a subsidiary	(305)	-	(305)
Share of other comprehensive loss of an associate	(45)	-	(45)
Share of other comprehensive loss of a joint venture	(88)	-	(88)
	(3,516)	-	(3,516)
2016			
Foreign currency translations	1,195	-	1,195
Share of other comprehensive income of a joint venture	46	-	46
	1,241	-	1,241

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

27. EARNINGS PER ORDINARY SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year:

	Group 2017	Group 2016
Profit attributable to owners of the parent (RM'000)	4,358	4,263
Weighted average number of ordinary shares in issue (units'000)	299,146	147,554
Effect of share split in September 2016 (Note 18) (unit'000)	-	147,900
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share (unit'000)	299,146	295,454
Basic earnings per ordinary share (sen)	1.457	1.443

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

	Group 2017	Group 2016
Profit attributable to owners of the parent (RM'000)	4,358	4,263
Weighted average number of ordinary shares in issue (unit'000)	299,146	147,554
Effect of share split in September 2016 (Note 18) (unit'000)	-	147,900
Effect of exercise of warrants (unit'000)	57,518	35,952
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share (unit'000)	356,664	331,406
Diluted earnings per ordinary share (sen)	1.222	1.286

28. DIVIDENDS

	Group and Company			
	2017		2016	
	Gross dividend per share sen	Amount of dividend net of tax RM'000	Gross dividend per share sen	Amount of dividend net of tax RM'000
Final dividend paid in respect of 31 December 2015	-	-	1.00	1,478
Final dividend paid in respect of 31 December 2016	0.50	1,490	-	-
	0.50	1,490	1.00	1,478

The Directors do not recommend the payment of any final dividend in respect of the current financial year.

29. EMPLOYEE BENEFITS

	Group	
	2017	**2016**
	RM'000	**RM'000**
Wages, salaries and bonuses	31,100	27,096
Contributions to defined contribution plans	2,287	1,762
Social security contributions	2,218	2,012
Other benefits	4,559	4,247
	40,164	35,117

Included in employee benefits of the Group are Executive Directors' remuneration amounting to RM7,657,000 (2016: RM6,219,000).

30. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its subsidiaries, associates, joint venture, corporation in which a Director of an associate (formerly a subsidiary) has interest, Directors and key management personnel.

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year which were carried out based on negotiated terms and conditions and mutually agreed with related parties:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Subsidiaries				
Dividend income	-	-	26,594	10,505
Interest income	-	-	2,519	2,373
Associates				
Business development fee	104	-	-	-
Commission received/receivable	50	-	-	-
Interest income	36	-	-	-
Purchase of goods	(9)	-	-	-
Progress billing payable	(96)	-	-	-
Sales of goods	40	-	-	-
Joint venture				
Commission received/receivable	81	64	-	-
Dividend income	440	319	-	-
Sales of goods	1,216	675	-	-
Purchase of materials	(131)	(284)	-	-
Rental income	179	-	-	-
Joint venture partner *				
Sale of goods	4,547	3,467	-	-

* The joint venture partner of the Group is Trunet (UK) Limited, a company that owns 50% of Trunet (Vietnam) Co., Ltd., a joint venture.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

30. RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and the Company.

The remuneration of Directors during the financial year was as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Directors				
- fees	329	211	254	211
- remuneration	7,657	6,219	-	-
	7,986	6,430	254	211

(d) Transactions with corporation in which a Director of an associate (formerly a subsidiary) has interest

The aggregate value of transactions and outstanding balances relating to corporation in which a Director of an associate (formerly a subsidiary) has interest were as follows:

	Transaction value for the year ended 31 December		Balance outstanding as at 31 December	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Shann Australia Pty. Ltd.				
- Sales	1,496	1,665	407	300

The Group sells goods to Shann Australia Pty. Ltd., a company that owns 3.27% (2016: 5.96%) of Furnitech Components (Vietnam) Co., Ltd., an associate (formerly a subsidiary) of the Group.

The related party transactions described above were carried out based on negotiated terms and conditions and mutually agreed with related parties.

31. OPERATING SEGMENTS

PRG Holdings Berhad and its subsidiaries are principally engaged in the manufacturing and sale and marketing of webbings, yarn, furniture components, rubber strips and fabrics as well as being involved in property development and construction.

The Group has arrived at two (2) reportable segments that are organised and managed separately according to the nature of products and services, specific expertise and technologies requirements and which requires different business and marketing strategies. The reportable segments are summarised as follows:

(i) Manufacturing

The manufacture and sale and marketing of rubber strips and sheets and narrow elastic fabrics, upholstery webbings, covered elastic yarn, rigid webbings, safety webbings, metal components for furniture and trading.

(ii) Property development and construction

Development and construction of residential and commercial properties.

31. OPERATING SEGMENTS (CONT'D)

Other operating segments that do not constitute reportable segments comprise operations related to investment holding.

During the financial year, the Group has changed its basis of segmentation for investment holding companies. The segmentation for the respective investment holding companies will be determined by the segment of its respective subsidiaries.

The above 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.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations before tax.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment assets exclude tax assets. Segment liabilities exclude tax liabilities. Even though loans and borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors. Details are provided in the reconciliations from segment assets and liabilities to the position of the Group.

2017	**Manufacturing RM'000**	**Property development and construction RM'000**	**Others RM'000**	**Elimination RM'000**	**Total RM'000**
Revenue					
Revenue from external customers	109,745	83,218	-	-	192,963
Inter-segment revenue	6,005	45,275	26,594	(77,874)	-
Total revenue	**115,750**	**128,493**	**26,594**	**(77,874)**	**192,963**
Finance costs	(1,257)	(338)	(7)	182	(1,420)
Interest income	481	92	2,527	(2,842)	258
Net finance (expense)/income	(776)	(246)	2,520	(2,660)	(1,162)
Amortisation of intangible assets	(22)	(59)	-	-	(81)
Depreciation of property, plant and equipment	(3,324)	(1,567)	(56)	-	(4,947)
Segment profit/(loss) before tax	**6,654**	**9,731**	**(608)**	**-**	**15,777**
- Net gain on disposals of property, plant and equipment	32	787	57	-	876
- Net gain on disposals of subsidiaries	6,824	3	-	-	6,827
- Share of profit of a joint venture	282	-	-	-	282
- Share of losses of associates	(290)	(33)	-	-	(323)
- Impairment losses on trade receivables	(38)	-	-	-	(38)
- Inventories written down	(191)	-	-	-	(191)
- Reversal of inventories written down	111	-	-	-	111
- Reversal of impairment losses on trade receivables	10	-	-	-	10
- Net unrealised loss on foreign exchange	(561)	-	*	-	(561)
Capital expenditure	2,049	5,759	-	-	7,808
Investments in associates	5,231	216	-	-	5,447
Investment in a joint venture	1,109	-	-	-	1,109
Segment assets	**123,367**	**254,323**	**215**	**-**	**377,905**
Segment liabilities	**24,961**	**189,049**	**119**	**-**	**214,129**

* Amount is less than RM1,000

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

31. OPERATING SEGMENTS (CONT'D)

2016	Manufacturing RM'000	Property development and construction RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue					
Revenue from external customers	97,938	34,124	-	-	132,062
Inter-segment revenue	828	20,204	10,505	(31,537)	-
Total revenue	**98,766**	**54,328**	**10,505**	**(31,537)**	**132,062**
Finance costs	(1,294)	(347)	(45)	266	(1,420)
Interest income	623	107	2,377	(2,934)	173
Net finance (expense)/income	(671)	(240)	2,332	(2,668)	(1,247)
Amortisation of intangible assets	(23)	(58)	-	-	(81)
Depreciation of property, plant and equipment	(3,633)	(997)	(124)	-	(4,754)
Segment profit/(loss) before tax	**7,039**	**(357)**	**(750)**	**-**	**5,932**
- Net gain on disposals of property, plant and equipment	118	-	16	-	134
- Share of profit of a joint venture	215	-	-	-	215
- Impairment losses on trade receivables	(15)	-	-	-	(15)
- Inventories written down	(587)	-	-	-	(587)
- Reversal of inventories written down	63	-	-	-	63
- Net unrealised gain on foreign exchange	207	41	202	-	450
Capital expenditure	3,587	3,263	-	-	6,850
Investment in a joint venture	1,355	-	-	-	1,355
Segment assets	**97,609**	**179,344**	**8,981**	**-**	**285,934**
Segment liabilities	**33,318**	**127,088**	**1,567**	**801**	**162,774**

Reconciliations of reportable profit or loss, assets and liabilities to the Group's corresponding amounts are as follows:

	2017 RM'000	2016 RM'000
Profit for the financial year		
Total profit for reportable segments	15,777	5,932
Tax expense	(4,935)	(885)
Group's profit for the financial year	10,842	5,047
Assets		
Total assets for reportable segments	377,905	285,934
Tax assets	2,950	1,523
Group's assets	380,855	287,457
Liabilities		
Total liabilities for reportable segments	214,129	162,774
Tax liabilities	2,055	1,758
Group's liabilities	216,184	164,532

31. OPERATING SEGMENTS (CONT'D)

Geographical information

With the exception of a manufacturing facility and sales office set up in Vietnam, the entire Group's active business operations are located in Malaysia.

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.

Segment assets are based on the geographical location of the Group's assets. The non-current assets do not include investments in associates, investment in a joint venture and deferred tax assets.

	2017 RM'000	2016 RM'000
Revenue from external customers		
Malaysia	91,885	43,875
Asia Pacific (excluding Malaysia)	66,615	62,490
Europe	16,391	13,290
North America	17,143	11,557
Others	929	850
	192,963	132,062
Non-current assets		
Malaysia	31,974	32,367
Asia Pacific (excluding Malaysia)	13,930	19,256
	45,904	51,623

Major customer

There is no customer with revenue equal to or more than ten (10) percent of the revenue of the Group.

32. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Group's capital management is to ensure that entities of the Group would be able to continue as going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remains unchanged from the financial year ended 31 December 2016.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

32. FINANCIAL INSTRUMENTS (CONT'D)

(a) Capital management (cont'd)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group regularly reviews the gearing ratio to ensure they are at acceptable levels and within industry norms. Net debts are calculated as total borrowings less cash and bank balances. Capital represents equity attributable to the owners of the parent. A detailed calculation of the net debt is shown below:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Borrowings	28,569	50,952	-	455
Less: Cash and bank balances	(42,023)	(20,504)	(128)	(224)
Net (cash)/debt	(13,454)	30,448	(128)	231
Total capital	135,780	123,902	141,622	105,921
Gearing ratio	#	25%	#	*

* Amount is less than 1%
\# Not applicable as the Group and the Company are in a net cash position

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40,000,000. The Group has complied with this requirement during the financial year ended 31 December 2017.

(b) Categories of financial instruments

	Group	
	2017 RM'000	**2016 RM'000**
Financial assets		
Loans and receivables		
Trade and other receivables, net of deposits for land acquisition, prepayments and amounts due from customers for contract works	83,325	25,725
Cash and bank balances	42,023	20,504
	125,348	46,229
Financial liabilities		
Other financial liabilities		
Trade and other payables, net of amounts due to customers for contract works and progress billings in respect of property development costs	141,698	94,007
Borrowings	28,569	50,952
	170,267	144,959

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Categories of financial instruments (cont'd)

	Company	
	2017 RM'000	2016 RM'000
Financial assets		
Loans and receivables		
Other receivables, net of prepayments	66,944	56,043
Cash and bank balances	128	224
	67,072	56,267
Financial liabilities		
Other financial liabilities		
Other payables	119	3,971
Borrowings	-	455
	119	4,426

(c) Determination of fair values

Methods and assumptions used to estimate fair values

The fair values of financial assets and financial liabilities are determined as follows:

(i) Financial instruments that are not carried at fair values and whose carrying amounts are at reasonable approximation of fair values

The carrying amounts of financial assets and liabilities, such as trade and other receivables, current portion of amounts owing by subsidiaries, trade payables and current other payables, are reasonable approximation of fair values due to their short-term nature.

The carrying amounts of the current portion of borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

(ii) Hire purchase liabilities

The fair values of hire purchase liabilities are estimated based on the future contractual cash flows discounted at current market interest rates available for similar financial instruments and of the same remaining maturities.

(iii) Non-current amounts owing by subsidiaries, non-current other payables and long-term borrowings

The fair values of these financial instruments are estimated by discounting the expected future cash flows at market incremental lending rates for similar types of lending, borrowing or leasing arrangements at the end of the reporting period. At the end of the reporting period, these amounts are carried at amortised cost and the carrying amounts approximate fair value.

(iv) Financial guarantee

The Company provides corporate guarantees to financial institutions for banking facilities and third parties for credit facilities granted to subsidiaries. The fair value of such financial corporate guarantees is negligible as the probability of the corporate guarantees being called upon is remote.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

32. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Fair value, which is determined for disclosure purposes, is calculated based on the present value of non-derivative financial liabilities of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The significant unobservable inputs used in determining the fair value measurement of Level 3 financial instruments as well as the relationship between key unobservable inputs and fair value, is detailed in the table below:

Financial instruments	**Valuation technique used**	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value**
Financial assets			
Non-current amounts owing by subsidiaries	Discounted cash flows method	Discount rate (4% - 6.36%)	The higher the discount rate, the lower the fair value of the assets would be.

32. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair value hierarchy (cont'd)

The following table sets out the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair value and carrying amount shown in the statements of financial position.

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	RM'000	RM'000
2017								
Group								
Financial liabilities								
Other financial liabilities								
- Hire purchase creditors	-	-	-	-	2,236	-	2,236	2,366
Company								
Financial assets								
Loans and receivables								
- Amount owing by a subsidiary	-	-	49,953	-	-	-	49,953	49,953

32. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair value hierarchy (cont'd)

The following table sets out the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair value and carrying amount shown in the statements of financial position (cont'd).

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value				
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2016								
Group								
Financial liabilities								
Other financial liabilities								
- Hire purchase creditors	-	-	-	-	3,008	-	3,008	3,020
Company								
Financial assets								
Loans and receivables								
- Amounts owing by subsidiaries	-	-	40,603	-	-	-	40,603	40,603
Financial liabilities								
Other financial liabilities								
- Hire purchase creditors	-	-	-	-	297	-	297	298

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management objectives are to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group is exposed mainly to foreign currency risk, interest rate risk, liquidity risk, cash flow risks and credit risk. Information on the management of the related exposures is detailed below:

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign exchange rate risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Hong Kong Dollar ("HKD"), Vietnamese Dong, Euro, Pound Sterling, Australian Dollar and Chinese Renminbi.

The Group and the Company also hold cash and bank balances denominated in foreign currencies for working capital purposes. Information regarding the currency exposure profile of cash and bank balances is disclosed in Note 17 to the financial statements.

The Group does not hedge these exposures by purchasing or selling forward currency contracts at present. However, the management keeps this policy under review.

In respect of its overseas subsidiaries, the Group maintains a natural hedge, where possible, by borrowing in the currency of the country in which the subsidiary is located or by borrowing in currencies that match the future revenue stream to be generated from its subsidiaries.

<u>Sensitivity analysis for foreign currency risk</u>

The following table demonstrates the sensitivity of the Group's and of the Company's profit after tax to a reasonably possible change in the USD and HKD exchange rates against the Ringgit Malaysia ("RM") respectively, with all other variables held constant. 10% is the sensitivity rate used when reporting foreign currency risk exposures internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates.

The sensitivity analysis includes outstanding balances denominated in foreign currencies.

		Group		**Company**	
		2017 RM'000 Profit after tax	**2016 RM'000 Profit after tax**	**2017 RM'000 Profit after tax**	**2016 RM'000 Profit after tax**
USD/RM	- strengthen by 10% (2016: 10%)	1,427	1,184	-	335
	- weaken by 10% (2016: 10%)	(1,427)	(1,184)	-	(335)
HKD/RM	- strengthen by 10% (2016: 10%)	-	(59)	-	(59)
	- weaken by 10% (2016: 10%)	-	59	-	59

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(i) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk (cont'd)

Sensitivity analysis of other currencies are not disclosed as the fluctuation of these foreign exchange rates against the Group's functional currency would not be significant.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's deposits placed with financial institutions and borrowings are exposed to a risk of changes in their fair values due to changes in market interest rates. The Group's and the Company's borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not exposed to interest rate risk.

The Group and the Company borrow for operations at fixed and variable rates using hire purchase, term loans, trade financing facilities and bank overdraft. There is no formal hedging policy with respect to interest rate exposure.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(ii) Interest rate risk (cont'd)

The following tables set out the carrying amounts, the average effective interest rates as at the end of the reporting period and the remaining maturities of the Group's and of the Company's financial instruments that are exposed to interest rate risk:

Group	Note	Average effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
At 31 December 2017									
Fixed rate									
Amounts owing by associates	13								
- USD		3.00	4,606	4,606	-	-	-	-	-
- VND		3.00	58	58	-	-	-	-	-
Deposits placed with financial institutions	17								
- RM		2.55 - 3.60	4,098	4,098	-	-	-	-	-
- USD		1.50	963	963	-	-	-	-	-
- VND		5.40 - 6.30	2,103	2,103	-	-	-	-	-
- HKD		1.00	19,314	19,314	-	-	-	-	-
Investments in short term funds	17	3.22	5,598	5,598	-	-	-	-	-
Hire purchase creditors	20	2.18 - 4.25	(2,366)	(1,184)	(862)	(257)	(63)	-	-
Floating rate									
Trade bills	20								
- USD		2.96	(90)	(90)	-	-	-	-	-
- VND		5.40 - 7.20	(4,015)	(4,015)	-	-	-	-	-
Term loans	20								
- RM		4.62 - 6.36	(21,710)	(2,573)	(810)	(2,071)	(2,092)	(1,732)	(12,432)
- USD		3.50	(388)	(388)	-	-	-	-	-

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(ii) Interest rate risk (cont'd)

The following tables set out the carrying amounts, the average effective interest rates as at the end of the reporting period and the remaining maturities of the Group's and of the Company's financial instruments that are exposed to interest rate risk (cont'd):

Group	Note	Average effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
At 31 December 2016									
Fixed rate									
Deposits placed with financial institutions	17								
- RM		2.70 - 3.60	4,380	4,380	-	-	-	-	-
- USD		0.70	702	702	-	-	-	-	-
- VND		5.00 - 5.50	127	127	-	-	-	-	-
Investments in short term funds	17	3.10 - 3.31	80	80	-	-	-	-	-
Hire purchase creditors	20	2.00 - 4.25	(3,020)	(971)	(1,034)	(750)	(202)	(63)	-
Floating rate									
Bank overdraft	20	8.45 - 8.70	(659)	(659)	-	-	-	-	-
Trade bills	20								
- USD		2.50 - 2.80	(4,320)	(4,320)	-	-	-	-	-
- VND		5.40 - 7.10	(5,821)	(5,821)	-	-	-	-	-
Term loans	20								
- RM		4.55 - 6.36	(36,427)	(21,275)	(997)	(386)	(404)	(425)	(12,940)
- USD		3.25 - 4.05	(705)	(705)	-	-	-	-	-

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(ii) Interest rate risk (cont'd)

The following tables set out the carrying amounts, the average effective interest rates as at the end of the reporting period and the remaining maturities of the Group's and of the Company's financial instruments that are exposed to interest rate risk (cont'd):

Company	Note	Average effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
At 31 December 2017									
Fixed rate									
Amount owing by a subsidiary	13								
- RM		6.36	49,953	-	49,953	-	-	-	-
At 31 December 2016									
Fixed rate									
Amounts owing by subsidiaries	13								
- RM		6.36	39,796	-	-	39,796	-	-	-
- USD		4.00	2,783	1,976	807	-	-	-	-
Investments in short term funds	17	3.21	8	8	-	-	-	-	-
Hire purchase creditors									
- RM	20	2.44 - 2.47	(298)	(115)	(121)	(62)	-	-	-
Floating rate									
Term loans									
- USD	20	4.05	(157)	(157)	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(ii) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group and of the Company if interest rates at the end of reporting period changed by 50 basis points with all other variables held constant:

	Group		Company	
	2017 RM'000 Profit after tax	2016 RM'000 Profit after tax	2017 RM'000 Profit after tax	2016 RM'000 Profit after tax
Increase by 0.5% (2016: 0.5%)	(31)	(174)	189	160
Decrease by 0.5% (2016: 0.5%)	31	174	(189)	(160)

The assumed movement in basis points for interest rate sensitivity analysis is based on current observable market environment.

(iii) Liquidity and cash flow risks

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the Group's activities.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

As at 31 December 2017	**On demand or within one year RM'000**	**One to five years RM'000**	**Over five years RM'000**	**Total RM'000**
Group				
Financial liabilities				
Trade and other payables, net of amounts due to customers for contract works and progress billings in respect of property development costs	132,142	9,556	-	141,698
Borrowings	9,385	11,260	18,264	38,909
Total undiscounted financial liabilities	141,527	20,816	18,264	180,607
Company				
Financial liabilities				
Other payables	119	-	-	119
Total undiscounted financial liabilities	119	-	-	119

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iii) Liquidity and cash flow risks (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations (cont'd).

As at 31 December 2016	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
Financial liabilities				
Trade and other payables, net of amounts due to customers for contract works and progress billings in respect of property development costs	82,427	11,580	-	94,007
Borrowings	35,286	7,128	19,177	61,591
Total undiscounted financial liabilities	117,713	18,708	19,177	155,598
Company				
Financial liabilities				
Other payables	3,971	-	-	3,971
Borrowings	285	189	-	474
Total undiscounted financial liabilities	4,256	189	-	4,445

(iv) Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount and the Group regularly follows up on receivables outstanding beyond their stipulated time threshold for payments. The Group does not require collateral in respect of financial assets.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group mitigates its credit risk in trade receivables arising from the sale of development properties by maintaining its name as the registered owner of the development properties until full settlement by the purchaser of the self-financed portion of the purchase consideration or upon undertaking of end-financing by the purchaser's end-financier.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any individual customer or counterparty except that 12% (2016: 46%) of the Group's trade receivables as at reporting date were due from seven (7) (2016: five (5)) major customers.

The Company has no significant concentration of credit risk except for the amounts owing by subsidiaries constituting approximately 100% (2016: 100%) of the total receivables of the Company.

The Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iv) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country and industry sector profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period are as follows:

	2017		2016	
	RM'000	**% of total**	**RM'000**	**% of total**
By country				
Malaysia	60,279	81%	6,712	30%
Asia Pacific (excluding Malaysia)	7,931	10%	9,879	44%
Europe	3,568	5%	3,405	15%
North America	2,789	4%	2,414	11%
Others	39	*	89	*
	74,606	100%	22,499	100%
By industry sectors				
Manufacturing	14,978	20%	16,933	75%
Property development and construction	59,628	80%	5,566	25%
	74,606	100%	22,499	100%

* Amount is less than 1%

At the end of the reporting period, approximately 12% (2016: 46%) of the Group's trade receivables were due from seven (7) (2016: five (5)) major customers located in Malaysia, Asia Pacific (excluding Malaysia), Europe and North America.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 13 to the financial statements. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 13 to the financial statements.

34. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 16 October 2017, FHL had completed the listing of and quotation for 504,000,000 ordinary shares of HKD0.10 each on the GEM of the Stock Exchange of Hong Kong Limited.

35. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

(i) Jiangsu Provincial Construction (M) Sdn. Bhd. ("JPC"), Mingfa Group (Global) Investments Holdings Limited ("Mingfa"), Premier JPC Sdn. Bhd. ("PJPC") and the Company have, on 4 January 2018, entered into a collaboration agreement ("CA") to formalise their commitments and to regulate their rights and obligations as shareholders of PJPC and in respect of the management of PJPC.

(ii) On 20 January 2018, PRG Healthcare Sdn. Bhd. (formerly known as PRG Ventures Sdn. Bhd.), a wholly-owned subsidiary of the Company, entered into a conditional shares sale agreement for the proposed acquisition of the entire equity interest in Roopi Medical Centre Sdn. Bhd. from Dato' Dr. Shanti @ M.S. Roopi and Charanjeet Singh Dhillon for an indicative cash consideration of RM7,297,000.

On the same day, PRG Asset Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into two (2) conditional sale and purchase agreements for the proposed acquisition of two (2) properties from Linecom Corporation Sdn. Bhd. for a total cash consideration of RM11,000,000.

LIST OF GROUP PROPERTIES

Address	Owner	Description	Age of building	Tenure / Expiry	Existing Use	Land Area (Sq ft.)	Carrying Value as at 31/12/2017 (RM'000)	Date of Valuation (* Date of Acquisition)
Title No. H.S. (M) 967, P.T. No. 208, Mukim of Cheras, District of Hulu Langat, Selangor	FMSB	Land and a 1 ½ - storey detached office cum factory building and ancillary buildings	25	Leasehold (60 years)/ 11 Feb 2075^	Industrial	51,905	2,936	#31/7/2017
Title No. H.S. (M) 943, P.T. No. 7179, Mukim of Cheras, District of Hulu Langat, Selangor	SSKSB FMSB	Land and a 2-storey detached factory building	25	Leasehold (60 years)/ 11 Feb 2075^	Industrial	56,253	3,492	#31/7/2017
Title No. H.S. (M) 1594, P.T. No. 2374, Kg. Bharu Balakong, Mukim of Cheras, District of Hulu Langat, Selangor	FMSB	Land, a purpose-built 2-storey detached factory, 3-storey office building and ancillary buildings	9	Leasehold (78 years)/ 3 Jul 2083	Industrial	87,123	8,388	#31/7/2017
No. 18, Road 3A, Bien Hoa Industrial Zone II, Long Binh Ward, Bien Hoa City, Dong Nai Province, Vietnam	FVSC	Two-level office, two workshops, a warehouse, a canteen and a security booth	19	Lease (47 years)/ 16 Jan 2044	Industrial	150,544	2,101	#31/7/2017
Title No. H.S. (D) 37374, P.T. No. 4886, Mukim and District of Klang, Selangor Address : No. 46, Jalan Harum 25/49, Seksyen 25, 40400 Shah Alam, Selangor	Texstrip	3 storey compact terrace house	34	Freehold	Residential	840	75	#31/7/2017
Title No. GM 8265, Lot 87591, Mukim and District of Klang, Selangor	Texstrip	Land and a single-storey industrial building with a double - storey office annex	27	Freehold	Industrial	50,515	2,130	#31/7/2017

LIST OF GROUP PROPERTIES (CONT'D)

Address	Owner	Description	Age of building	Tenure / Expiry	Existing Use	Land Area (Sq ft.)	Carrying Value as at 31/12/2017 (RM'000)	Date of Valuation (* Date of Acquisition)
HS(D) 111073, PT No. 9, Mukim Damansara, Daerah Petaling, Negeri Selangor Address: Lot C601, Capital 3, Oasis Square, No. 2, Jalan PJU 1A/7A, Ara Damansara, 47301 Petaling Jaya, Selangor	PRGPSB	Corporate Office	4	Freehold	Commercial	8,541	5,152	*1/11/2014
PN 45266, 141 Section 88, Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	PDMSB	Land held for property development	4	Leasehold (99 years)/ 17 Feb 2108	Residential	153,999	154,773	*30/7/2014
Street No. 8, Nhon Trach Industrial Zone 1, Nhon Trach District, Dong Nai Province, Vietnam	PEWA	One 2-level office, two 1-level workshops, one 3-level workshop, a canteen, two security booths, a parking area and a power station	15	Lease (46 years)/ 22 Jan 2048	Industrial	280,755	5,159	#31/7/2017
PT 46025, H.S. (M) 13499, Seksyen U5, Mukim Sungai Buloh, Daerah Petaling, 40150 Shah Alam	PBSB	Land held for property development	1	Leasehold (99 years)/ 16 Feb 2105	Residential	282,606	23,507	18/8/2016

There were revaluation on the land and properties owned by the Group for the financial year ended 31 December 2017.

^ Land premium was paid for an extension of sixty (60) years on 12 February 2015 and subject to perfection of the documentation by authorities.

The market value from the recent valuation was not recorded in the financial statements as the land and buildings of the Group are measured at cost.

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2018

Total number of issued shares	:	302,733,174
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote for each share held

Category	No. of Shareholders	%	No. of Shares	%
Less than 100	109	9.86	4,623	0.00
100 - 1,000	211	19.08	57,307	0.02
1,001 - 10,000	369	33.36	1,933,314	0.64
10,001 - 100,000	298	26.94	10,496,972	3.47
100,001 and below 5%	115	10.40	222,405,042	73.57
5% and above	4	0.36	67,418,116	22.30
Total	1,106	100.00	302,315,374	100.00

* Excluding 417,800 treasury shares.

DIRECTORS' SHAREHOLDINGS
(As per Register of Directors' Shareholdings)

Name of Director	Direct No. of Shares Held	%	Indirect No. of Shares Held	%
Dato' Dr. Awang Adek bin Hussin	-	-	-	-
Dato' Lua Choon Hann	54,199,800(a)	17.93	222,000(b)	0.07
Dato' Wee Cheng Kwan	30,419,200(a)	10.06	-	-
Lim Chee Hoong	154,000	0.05	154,000(b)	0.05
Dato' Hamzah bin Mohd Salleh	-	-	-	-
Datuk Dr. Wong Lai Sum	-	-	-	-
Na Chun Wee	-	-	-	-
Dato' Yau Kok Seng	200,000	0.07	-	-

Notes:
(a) Held through nominees company/ies.
(b) Disclosure of interest held by spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS
(As per Register of Substantial Shareholders' Shareholdings)

Name of Substantial Shareholder	Direct No. of Shares Held	%	Indirect No. of Shares Held	%
Dato' Lua Choon Hann	54,199,800(a)	17.93	222,000(b)	0.07
Cheah Eng Chuan	15,742,716(a)	5.21	-	-
Dato' Wee Cheng Kwan	30,419,200(a)	10.06	-	-
Ng Yan Cheng	27,404,600	9.06	2,178,600(c)	0.72
Wang Jing	26,182,800	8.66	-	-
Pacific Vintage Sdn Bhd	23,688,600(a)	7.84	-	-

Notes:
(a) Held through nominees company/ies.
(b) Disclosure of interest held by spouse pursuant to Section 59(11)(c) of the Companies Act 2016.
(c) Held through Kenanga Nominees (Asing) Sdn Bhd Exempt An for Guotai Junan Securities (Hong Kong) Limited. Deemed interested pursuant to Section 8(4)(c) of the Companies Act 2016.

ANALYSIS OF SHAREHOLDINGS AS AT 31 MARCH 2018 (CONT'D)

TOP 30 SHAREHOLDERS

	Name of Shareholders	No. of Shares	%
1	KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LUA CHOON HANN	19,795,400	6.55
2	NG YAN CHENG	16,257,200	5.38
3	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR CHEAH ENG CHUAN (CHE1991C)	15,742,716	5.21
4	WANG JING	15,622,800	5.17
5	KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR PACIFIC VINTAGE SDN BHD	15,100,800	5.00
6	HO BUN HOI	14,669,600	4.85
7	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR WEE CHENG KWAN	14,133,200	4.67
8	NG YAN CHENG	11,147,400	3.69
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LUA CHOON HANN	10,932,000	3.62
10	WANG JING	10,560,000	3.49
11	JF APEX NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LUA CHOON HANN (MARGIN)	8,600,200	2.84
12	HSBC NOMINEES (ASING) SDN BHD BENEFICIARY : EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	7,365,300	2.44
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR PACIFIC VINTAGE SDN BHD	7,087,800	2.34
14	KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR CHEN SZE MIN (001)	5,898,280	1.95
15	TI LIAN KER	5,829,300	1.93
16	ONG LOCK HOO	5,316,600	1.76
17	LOH CHAI KIAM	4,975,000	1.65
18	M & A NOMINEE (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR WEE CHENG KWAN (M&A)	4,400,000	1.46
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR WEE CHENG KWAN	4,376,000	1.45
20	AMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: PLEDGED SECURITIES ACCOUNT- AMBANK (M) BERHAD FOR LUA CHOON HANN (SMART)	4,282,000	1.42
21	HLIB NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LEE SIM HAK (M)	3,900,000	1.29
22	RHB NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LUA CHOON HANN	3,397,300	1.12
23	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LUA CHOON HANN (MGN-LCH0024M)	3,196,000	1.06
24	QIAN QING	3,140,400	1.04
25	TA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LAI SOO KOW	3,108,000	1.03
26	UTUSAN MEWAH SDN. BHD.	3,000,000	0.99
27	TA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR WONG KEAT MOY	2,882,200	0.95
28	LEE SIM HAK	2,879,540	0.95
29	ZHANG SHUAI	2,749,400	0.91
30	KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR KOK CHI KEN (029)	2,639,080	0.87
		232,983,516	77.08

ANALYSIS OF WARRANTS HOLDINGS
AS AT 31 MARCH 2018

Total Number of Warrants Issued	:	96,032,026
Exercise Price of Warrants	:	RM0.375

Category	No. of Warrant Holders	%	No. of Warrants Held	%
Less than 100	17	4.24	528	0.00
100 - 1,000	29	7.23	13,444	0.01
1,001 - 10,000	138	34.41	708,150	0.74
10,001- 100,000	139	34.66	4,765,890	4.96
100,001 and below 5%	73	18.20	38,323,116	39.91
5% and above	5	1.25	52,220,898	54.38
Total	401	100.00	96,032,026	100.00

DIRECTORS' WARRANTS HOLDINGS
(As per Register of Directors' Warrants Holdings)

Name of Director	Direct No. of Warrants Held	%	Indirect No. of Warrants Held	%
Dato' Dr. Awang Adek bin Hussin	-	-	-	-
Dato' Lua Choon Hann	20,953,100[(a)]	21.82	38,000[(b)]	0.04
Dato' Wee Cheng Kwan	9,451,200[(a)]	9.84	-	-
Lim Chee Hoong	-	-	-	-
Dato' Hamzah bin Mohd Salleh	-	-	-	-
Datuk Dr. Wong Lai Sum	-	-	-	-
Na Chun Wee	-	-	-	-
Dato' Yau Kok Seng	-	-	-	-

Notes:
(a) Held through nominee company/ies.
(b) Disclosure of interest held by spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

ANALYSIS OF WARRANTS HOLDINGS AS AT 31 MARCH 2018 (CONT'D)

TOP 30 WARRANTS HOLDERS

	Name of Warrants holders	No. of Warrants	%
1	TI LIAN KER	19,980,300	20.81
2	LUA CHOON HANN	12,139,400	12.64
3	KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LUA CHOON HANN	7,801,800	8.12
4	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR WEE CHENG KWAN	6,695,880	6.97
5	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR CHEAH ENG CHUAN (CHE1991C)	5,603,518	5.84
6	TEH CHOON YEAN	3,339,200	3.48
7	PANG CHEW WEI	2,975,300	3.10
8	ONG LOCK HOO	2,086,524	2.17
9	TEH CHOON YEAN	1,914,300	1.99
10	LEE JAM	1,706,000	1.78
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR WEE CHENG KWAN	1,500,000	1.56
12	LEE SIM HAK	1,410,012	1.47
13	RHB NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR WEE CHENG KWAN	1,255,320	1.31
14	TEH CHOON YEAN	1,245,000	1.30
15	CHUNG YUK PHIN	1,135,700	1.18
16	PANG CHEW WEI	1,125,500	1.17
17	KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR CHEN SZE MIN (001)	911,480	0.95
18	KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR PACIFIC VINTAGE SDN BHD	908,600	0.95
19	KOK KAM LUNG	775,700	0.81
20	ANG CHIN BOON	760,400	0.79
21	PUBLIC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR CHEW SENG GUAN (E-TJJ)	702,300	0.73
22	CHUNG YUK PHIN	664,000	0.69
23	PUBLIC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR PANG CHEW WEI (E-BPJ)	659,400	0.69
24	CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : CIMB BANK FOR LUA CHOON HANN (M68121)	655,000	0.68
25	CHONG LEE PING	634,900	0.66
26	CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : CIMB BANK FOR YEO ANN SECK (MY0696)	600,000	0.62
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : OOI CHEE MENG	535,000	0.56
28	SOPHIE GOH SU ANN	449,800	0.47
29	WONG THIAM	408,900	0.43
30	HLIB NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR TEE KIM SOON (CCTS)	400,000	0.42
		80,979,234	84.34

NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventeenth Annual General Meeting ("AGM") of PRG Holdings Berhad ("PRG" or "the Company") will be held at Arcadia I, Level 3, Hotel Armada Petaling Jaya, Lot 6, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 6 June 2018 at 10.00 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Directors' and Auditors' Reports thereon. *Please refer to Note 8*

2. To approve the increase and payment of Directors' fees and benefits payable to the Non-Executive Directors up to RM459,600 from 7 June 2018 until the next AGM of the Company. *Resolution 1*

3. To re-elect the following Directors who retire in accordance with Article 84 of the Company's Constitution:

   (i) Dato' Hamzah bin Mohd Salleh; and *Resolution 2*
   (ii) Lim Chee Hoong. *Resolution 3*

4. To re-elect the following Directors who retire in accordance with Article 91 of the Company's Constitution:

   (i) Dato' Dr. Awang Adek Bin Hussin; *Resolution 4*
   (ii) Na Chun Wee; and *Resolution 5*
   (iii) Dato' Yau Kok Seng. *Resolution 6*

5. To re-appoint Messrs BDO as the Company's Auditors and to authorise the Directors to fix their remuneration. *Resolution 7*

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modifications, the following Ordinary Resolutions:

6. **RETENTION OF LIM CHEE HOONG AS INDEPENDENT DIRECTOR** *Resolution 8*

   "THAT in accordance with the Malaysian Code on Corporate Governance ("MCCG"), subject to the passing of Resolution No. 3, Lim Chee Hoong who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, be and is hereby retained as Independent Non-Executive Director of the Company and be designated as such until the conclusion of the next Annual General Meeting, subject to the provisions of the relevant regulatory authorities."

7. **RETENTION OF DATO' HAMZAH BIN MOHD SALLEH AS INDEPENDENT DIRECTOR** *Resolution 9*

   "THAT in accordance with the MCCG, subject to the passing of Resolution No. 2, Dato' Hamzah bin Mohd Salleh who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, be and is hereby retained as Independent Non-Executive Director of the Company and be designated as such until the conclusion of the next Annual General Meeting, subject to the provisions of the relevant regulatory authorities."

8. **AUTHORITY FOR THE DIRECTORS TO ISSUE SHARES** *Resolution 10*

   "THAT pursuant to Sections 75 and 76 of the Companies Act, 2016 ("the Act"), and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue new shares in the Company at any time, at such price, upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the total number of issued shares of the Company at the time of issue AND THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company."

9. **PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK** *Resolution 11*

"THAT subject always to the Act, provisions of the Company's Constitution, the Main Market Listing Requirements of Bursa Securities and any other relevant authorities, the Company be and is hereby authorised to purchase such number of ordinary shares in the Company as may be determined by the Directors from time to time through Bursa Securities, subject to the following:

a) The aggregate number of shares which may be purchased by the Company shall not exceed 10% of the total number of issued shares of the Company at any point in time;

b) The maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the retained earnings of the Company. The audited retained earnings of the Company as at 31 December 2017 stood at RM60.13 million;

c) The authority conferred by this resolution will be effective upon the passing of this resolution and will continue to be in force until:

   i) the conclusion of the next AGM of the Company following the general meeting at which such resolution was passed, at which time the said authority will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
   ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
   iii) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting;

   whichever is earlier;

d) Upon completion of the purchase by the Company of its own shares, the Directors of the Company be and are hereby authorised to deal with the shares purchased in their absolute discretion in the following manners:

   i) to cancel the shares so purchased;
   ii) to retain the shares so purchased as treasury shares (of which may be dealt with in accordance with Section 127(7) of the Act);
   iii) retain part of the shares so purchased as treasury shares and cancel the remainder; or
   iv) in any other manner as may be permitted and prescribed by the Act, the Main Market Listing Requirements of Bursa Securities and any other relevant authorities for the time being in force.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps and to do all acts and things as may be required (including executing all documents) to implement, finalise and give full effect to the purchase of the Company's own shares, with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities or as may be deemed necessary or expedient by the Board of Directors and in the best interests of the Company."

10. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

BY ORDER OF THE BOARD

YEOH CHONG KEAT (MIA 2736)
LIM FEI CHIA (MAICSA 7036158)
Secretaries

Kuala Lumpur
12 April 2018

NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING (CONT'D)

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 31 May 2018 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at this meeting.
2. A member shall be entitled to appoint not more than two (2) proxies to attend, speak and vote at this meeting. A proxy may but need not be a member of the Company.
3. Where a member appoints two (2) proxies, the member shall specify the proportions of his/her shareholdings to be represented by each proxy failing which, the appointment shall be invalid.
4. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. To be valid, the original proxy form, duly completed must be deposited at the registered office of the Company at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.
6. If the appointor is a corporation the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all resolutions set out in the Notice of this meeting will be put to vote by way of poll.
8. The Audited Financial Statements for the financial year ended 31 December 2017 are laid in accordance with Section 340(1)(a) of the Act for discussion only and do not require shareholders' approval. As such, this item will not be put forward for voting by shareholders of the Company.

Explanatory Notes on Special Business

9. Retention of Independent Non-Executive Directors

   The proposed resolutions are to seek shareholders' approval to retain Lim Chee Hoong and Dato' Hamzah bin Mohd Salleh as Independent Non-Executive Directors of the Company. They had served the Company as Independent Non-Executive Directors for a cumulative term of more than nine (9) years. In accordance with the MCCG, the Nomination Committee and Board of Directors of the Company, after having assessed the independence of the abovenamed Directors, consider them to be independent based on amongst others, the following justifications and recommends that they be retained as Independent Non-Executive Directors of the Company until the conclusion of the next Annual General Meeting of the Company:
   (i) They have confirmed and declared that they are Independent Directors as defined under Paragraph 1.01 of the Listing Requirements of Bursa Securities;
   (ii) They do not have any conflict of interest with the Company and have not been entering/is not expected to enter into contract(s) especially material contract(s) with the Company and/or its subsidiary companies;
   (iii) They are currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Company and its subsidiary companies; and
   (iv) They have provided unbiased, objective and independent view and judgment to Board deliberations and in view of their understanding of the Company's business, the challenges faced by the Company and the environment in which the Company operates, the Board is of the view that they will continue to provide invaluable contributions to the Board as Independent Non-Executive Directors of the Company.

10. Authority for the Directors to issue shares

    This proposed resolution, if passed, will renew the authority given to the Directors of the Company to issue and allot new shares in the Company at any time, at such price, to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit ("General Mandate"), provided that the number of shares issued pursuant to this General Mandate, when aggregated with the number of shares issued during the preceding twelve (12) months, does not exceed 10% of the total number of issued shares of the Company at the time of issue. This renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

    The General Mandate procured and approved in the preceding year 2017 which was not exercised by the Company during the year, will expire at the forthcoming Seventeenth AGM of the Company.

    With this renewed General Mandate, the Company will be able to raise funds expeditiously for the purpose of funding future investment, working capital and/or acquisition(s) without having to convene a general meeting to seek shareholders' approval when such opportunities or needs arise.

11. Proposed Renewal of Authority for Share Buy-Back

    This proposed resolution, if passed, will allow the Company to purchase its own shares up to 10% of the total number of issued shares of the Company. This authority, unless revoked or varied by the Company in a general meeting, will expire at the next AGM of the Company. For further information on the Proposed Renewal of Authority for Share Buy-Back, please refer to the Share Buy-Back Statement dated 12 April 2018 despatched together with the Company's Annual Report 2017.

12. The Personal Data Protection Act 2010, which regulates the processing of personal data in commercial transactions, applies to the Company. By providing to the Company personal data which may include the name, contact details and mailing address, a member of the Company hereby consent, agree and authorise the processing and/or disclosure of any personal data of or relating to the member for the purposes of issuing the notice of this meeting and convening the meeting (including any adjournment thereof), including but not limited to preparation and compilation of documents and other matters, whether or not supplied by the member. The member further confirms to have obtained the consent, agreement and authorisation of all persons whose personal data the member have disclosed and/ or processed in connection with the foregoing.

STATEMENT ACCOMPANYING NOTICE OF THE SEVENTEENTH ANNUAL GENERAL MEETING
(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Securities)

No individual is standing for election as Director at the forthcoming Seventeenth Annual General Meeting of the Company.

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PROXY FORM

PRG
HOLDINGS BERHAD

No. of Shares held	
CDS Account No.	
Contact No.	

I/We______________________________________NRIC/Passport/Company No.___________________________
(FULL NAME IN BLOCK LETTERS)
of ____
(FULL ADDRESS)
being member/members of PRG HOLDINGS BERHAD, do hereby appoint___________________________________

____
(FULL NAME IN BLOCK LETTERS AND NRIC / PASSPORT NO.)
of ____
(FULL ADDRESS)
or failing him/her ____
(FULL NAME IN BLOCK LETTERS AND NRIC / PASSPORT NO.)
of ____
(FULL ADDRESS)

or failing him/her, the Chairman of the meeting as my/our proxy(ies) to vote for me/us on my/our behalf at the Seventeenth Annual General Meeting of the Company to be held at Arcadia I, Level 3, Hotel Armada Petaling Jaya, Lot 6, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 6 June 2018 at 10.00 a.m. or at any adjournment thereof on the following resolutions referred to in the Notice of Seventeenth Annual General Meeting.

The proportion of *my/our holdings to be represented by *my/our proxy(ies) are as follows:

First Proxy: _______________ %	Second Proxy: _____________ %

My/Our proxy(ies) is/are to vote as indicated hereunder:

RESOLUTIONS		*FOR	*AGAINST
1.	To approve the increase and payment of Directors' fees and benefits payable to the Non-Executive Directors up to RM459,600 from 7 June 2018 until the next AGM of the Company		
2.	To re-elect Dato' Hamzah bin Mohd Salleh who retires in accordance with Article 84 of the Company's Constitution		
3.	To re-elect Lim Chee Hoong who retires in accordance with Article 84 of the Company's Constitution		
4.	To re-elect Dato' Dr. Awang Adek Bin Hussin who retires in accordance with Article 91 of the Company's Constitution		
5.	To re-elect Na Chun Wee who retires in accordance with Article 91 of the Company's Constitution		
6.	To re-elect Dato' Yau Kok Seng who retires in accordance with Article 91 of the Company's Constitution		
7.	To re-appoint Messrs BDO as the Company's Auditors and to authorise the Directors to fix their remuneration		
8.	To retain Lim Chee Hoong as Independent Director		
9.	To retain Dato' Hamzah bin Mohd Salleh as Independent Director		
10.	Authority for the Directors to issue shares		
11.	Proposed Renewal of Authority for Share Buy-Back		

* Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.

Dated this ______ day of ______________ 2018

____
Signature or Common Seal of Shareholder(s)

Notes:

(i) In respect of deposited securities, only members whose names appear in the Record of Depositors on 31 May 2018 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at this meeting.

(ii) A member shall be entitled to appoint not more than two (2) proxies to attend, speak and vote at this meeting. A proxy may but need not be a member of the Company.

(iii) Where a member appoints two (2) proxies, the member shall specify the proportions of his/her shareholdings to be represented by each proxy failing which, the appointment shall be invalid.

(iv) Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(v) To be valid, the original proxy form, duly completed must be deposited at the registered office of the Company at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.

(vi) If the appointor is a corporation the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

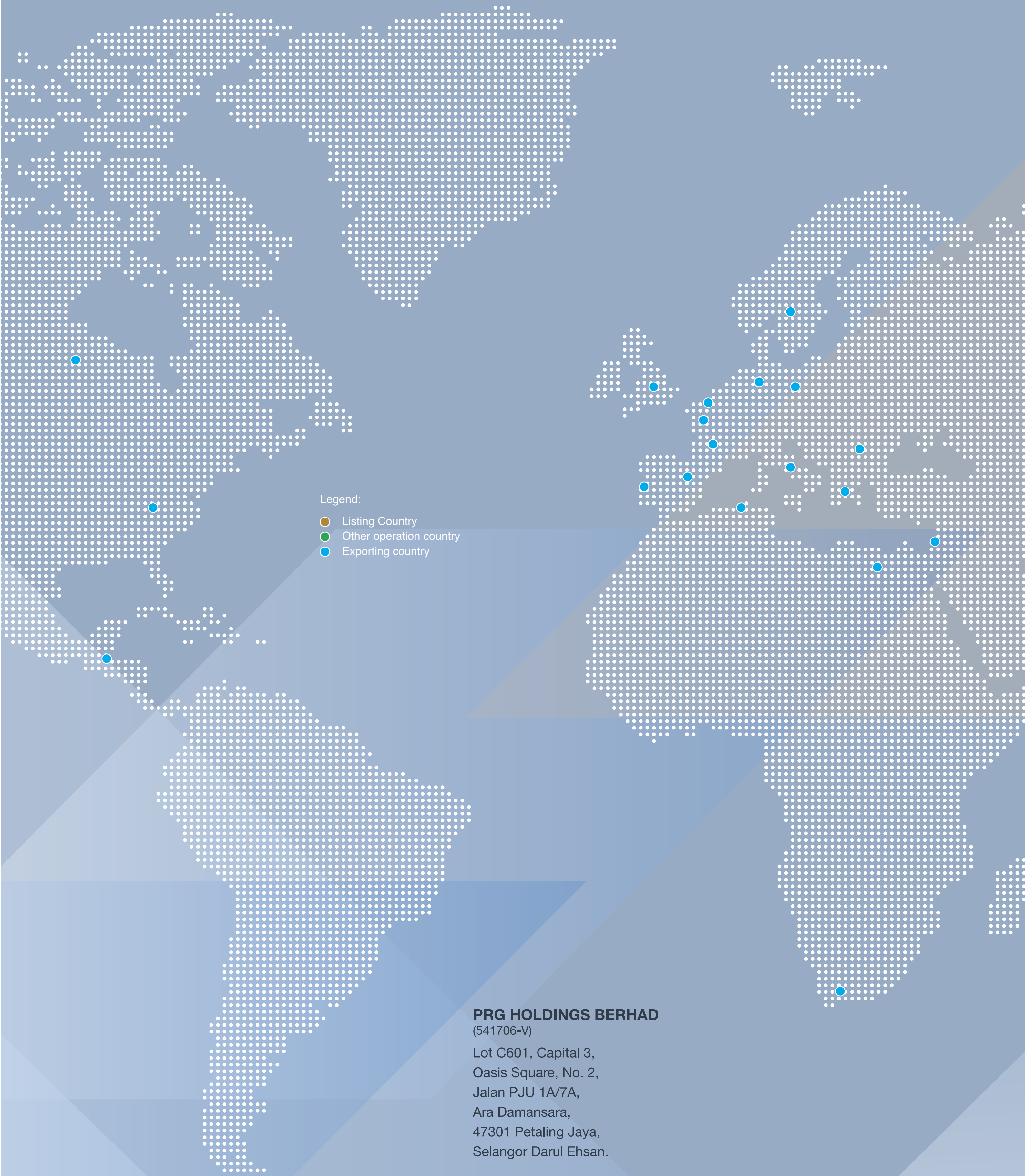
(vii) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all resolutions set out in the Notice of this meeting will be put to vote by way of poll.

(viii) The Personal Data Protection Act 2010, which regulates the processing of personal data in commercial transactions, applies to the Company. By providing to the Company personal data which may include the name, contact details and mailing address, a member of the Company hereby consent, agree and authorise the processing and/ or disclosure of any personal data of or relating to the member for the purposes of issuing the notice of this meeting and convening the meeting (including any adjournment thereof), including but not limited to preparation and compilation of documents and other matters, whether or not supplied by the member. The member further confirms to have obtained the consent, agreement and authorisation of all persons whose personal data the member have disclosed and/ or processed in connection with the foregoing.

Affix Stamp

The Company Secretaries
PRG HOLDINGS BERHAD (541706-V)

c/o Archer Corporate Services Sdn. Bhd.
Suite 11.1A, Level 11
Menara Weld
76 Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia



PRG HOLDINGS BERHAD
(541706-V)

Lot C601, Capital 3,
Oasis Square, No. 2,
Jalan PJU 1A/7A,
Ara Damansara,
47301 Petaling Jaya,
Selangor Darul Ehsan.

www.prg.com.my