

PRG HOLDINGS BERHAD
(Company No: 541706-V)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER 2018

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2018 - UNAUDITED

	Quarter ended 30 September		Period ended 30 September	
	2018 RM'000	2017 RM'000 (restated)	2018 RM'000	2017 RM'000 (restated)
Revenue	30,580	55,017	104,423	149,519
Cost of sales	(23,366)	(39,990)	(78,578)	(107,922)
Gross profit	7,214	15,027	25,845	41,597
Other income	963	4,029	2,491	5,074
Selling and marketing expenses	(873)	(907)	(2,805)	(2,774)
Administrative expenses	(8,508)	(12,385)	(24,069)	(29,073)
Other expenses	53	(304)	(285)	(1,477)
Interest income	172	42	554	143
Finance costs	(339)	(377)	(895)	(1,101)
Share of loss of associates (net of tax)	(276)	-	(858)	-
Share of profit of a joint venture (net of tax)	144	144	194	226
(Loss)/Profit before tax	(1,450)	5,269	172	12,615
Tax expense	(562)	(860)	(1,873)	(1,124)
(Loss)/Profit for the period	(2,012)	4,409	(1,701)	11,491
Other comprehensive (loss)/income				
Foreign currency translations	1,554	(1,426)	(228)	(2,669)
Share of other comprehensive (loss)/income of an associate	(75)	-	16	-
Share of other comprehensive income/(loss) of a joint venture	21	-	(20)	-
Total comprehensive (loss)/income for the period	(512)	2,983	(1,933)	8,822
(Loss)/Profit attributable to:				
Owners of the parent	(2,106)	2,661	(3,078)	6,567
Non-controlling interests	94	1,748	1,377	4,924
	(2,012)	4,409	(1,701)	11,491
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(981)	1,233	(3,252)	3,893
Non-controlling interests	469	1,750	1,319	4,929
	(512)	2,983	(1,933)	8,822
(Loss)/Earnings per ordinary share attributable to owners of the parent (sen):				
Basic	(0.68)	0.89	(1.01)	2.20
Diluted	(0.59)	0.74	(0.86)	1.85

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

PRG HOLDINGS BERHAD
(Company No: 541706-V)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018 - UNAUDITED

	Notes	As at 30 Sept 2018 RM'000	As at 31 December 2017 RM'000 (restated)	As at 1 January 2017 RM'000 (restated)
Non-current assets				
Property, plant and equipment		43,007	44,495	50,166
Intangible assets		5,286	1,409	1,457
Investments in associates		4,550	5,447	-
Investment in a joint venture		993	1,109	1,355
Deferred tax assets		6,650	6,186	3,141
Total non-current assets		60,486	58,646	56,119
Current assets				
Inventories		210,512	206,515	189,847
Trade and other receivables		115,318	93,982	31,641
Current tax assets		2,555	1,240	959
Cash and bank balances		33,652	42,023	20,504
Total current assets		362,037	343,760	242,951
Total assets		422,523	402,406	299,070
Equity				
Share capital		82,712	77,730	74,555
Share premium		-	-	1,404
Treasury shares		(87)	(87)	(87)
Exchange translation differences		(3,255)	(3,081)	26
Warrants reserve		3,768	3,851	4,022
Retained earnings		58,055	61,133	45,870
Total attributable to owners of the parent		141,193	139,546	125,790
Non-controlling interests		32,998	31,404	282
Total equity		174,191	170,950	126,072
Non-current liabilities				
Borrowings	B7	19,251	20,319	17,201
Trade and other payables		11,606	9,556	11,580
Deferred tax liabilities		857	857	1,089
Total non-current liabilities		31,714	30,732	29,870
Current liabilities				
Borrowings	B7	11,725	8,250	33,751
Trade and other payables		204,471	191,276	108,708
Current tax liabilities		422	1,198	669
Total current liabilities		216,618	200,724	143,128
Total liabilities		248,332	231,456	172,998
Total equity and liabilities		422,523	402,406	299,070
Net assets per share attributable to owners of the parent (RM)	B12	0.4570	0.4620	0.4224

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

PRG HOLDINGS BERHAD
(Company No: 541706-V)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER 2018

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2018 - UNAUDITED

	<----- Attributable to owners of the parent ----->								
	<-----Non-distributable----->				Distributable				
	Share capital	Share premium	Treasury shares	Exchange translation differences	Warrants reserve	Retained earnings	Total	Non- controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
9 months ended 30 September 2017									
Balance at 1 January 2017	74,555	1,404	(87)	26	4,022	43,982	123,902	(977)	122,925
Effect of adoption of MFRS	-	-	-	-	-	1,888	1,888	1,259	3,147
Balance at 1 January 2017 (Restated)	74,555	1,404	(87)	26	4,022	45,870	125,790	282	126,072
Transfer pursuant to Companies Act 2016 (Note 1)	1,404	(1,404)	-	-	-	-	-	-	-
Profit for the period (Restated)	-	-	-	-	-	6,567	6,567	4,924	11,491
Foreign currency translations	-	-	-	(2,674)	-	-	(2,674)	5	(2,669)
Share of other comprehensive loss of a joint venture, net of tax	-	-	-	-	-	-	-	-	-
Total comprehensive (loss)/income	-	-	-	(2,674)	-	6,567	3,893	4,929	8,822
Ordinary shares issued pursuant to exercise of Warrants	1,241	-	-	-	(120)	-	1,121	-	1,121
Disposal of a subsidiary	-	-	-	811	-	-	811	201	1,012
Dividend paid	-	-	-	-	-	(1,490)	(1,490)	-	(1,490)
Balance at 30 September 2017 (Restated)	77,200	-	(87)	(1,837)	3,902	50,947	130,125	5,412	135,537
9 months ended 30 September 2018									
Balance at 1 January 2018 (Restated)	77,730	-	(87)	(3,081)	3,851	61,133	139,546	31,404	170,950
(Loss)/Profit for the period	-	-	-	-	-	(3,078)	(3,078)	1,377	(1,701)
Foreign currency translations	-	-	-	(170)	-	-	(170)	(58)	(228)
Share of other comprehensive income of an associate, net of tax	-	-	-	16	-	-	16	-	16
Share of other comprehensive loss of a joint venture, net of tax	-	-	-	(20)	-	-	(20)	-	(20)
Total comprehensive (loss)/income	-	-	-	(174)	-	(3,078)	(3,252)	1,319	(1,933)
Acquisition of new subsidiary	4,125	-	-	-	-	-	4,125	152	4,277
Shares acquired by non-controlling interests	-	-	-	-	-	-	-	123	123
Ordinary shares issued pursuant to exercise of Warrants	857	-	-	-	(83)	-	774	-	774
Balance at 30 September 2018	82,712	-	(87)	(3,255)	3,768	58,055	141,193	32,998	174,191

Note 1

With the Companies Act 2016 ("CA 2016") coming into effect on 31 January 2017, the credit standing in the share premium account has been transferred to the share capital account. Pursuant to subsection 618(3) and 618(4) of the CA 2016, the Company may exercise its right to use the credit amounts being transferred from share premium account within 24 months after the commencement of the CA 2016.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial period ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

PRG HOLDINGS BERHAD
(Company No: 541706-V)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018 - UNAUDITED

	Period ended	
	30 September	
	2018	2017
	RM'000	RM'000
		(restated)
Cash flows from operating activities		
Profit before tax	172	12,615
Adjustments for:		
Non-cash items	3,265	147
Finance costs	895	1,101
Interest income	(554)	(143)
Share of losses of associates	858	-
Share of profit of a joint venture	(194)	(226)
Operating profit before changes in working capital	4,442	13,494
(Increase)/Decrease in inventories	(4,102)	13,236
Increase in trade and other receivables	(20,326)	(38,925)
Increase in trade and other payables	14,653	28,866
Cash (used in)/generated from operations	(5,333)	16,671
Tax paid (net with tax refunded)	(4,229)	(2,071)
Net cash (used in)/generated from operating activities	(9,562)	14,600
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(2,905)	(5,375)
Acquisition of a subsidiary	(252)	-
Consideration from disposal of a subsidiary	-	39
Repayments (to)/from a joint venture	(160)	49
Repayment from associates	-	230
Dividends received from a joint venture	291	440
Interest received	554	143
Proceeds from disposals of property, plant and equipment	938	2,884
Deposits uplift from financial institutions with original maturity of more than three (3) months	966	125
Uplift/(Placement) of restricted cash	680	(52)
Net cash from/(used in) investing activities	112	(1,517)
Cash flows from financing activities		
Dividends paid to owners of the parent	-	(1,490)
Interest paid	(897)	(1,938)
Drawdown of borrowings	4,266	17,776
Repayments of borrowings	(7,005)	(28,160)
Repayments of hire purchase creditors	(880)	(708)
Proceeds from issuance of ordinary shares pursuant to exercise of Warrants	774	1,121
Proceeds from issuance of ordinary shares to non-controlling interests	123	-
Net cash used in financing activities	(3,619)	(13,399)
Net decrease in cash and cash equivalents	(13,069)	(316)
Effects of exchange rate changes	244	(491)
Cash and cash equivalents at beginning of period	37,422	17,003
Cash and cash equivalents at end of period	24,597	16,196
Cash and cash equivalents comprise:		
Cash and bank balances	33,652	19,473
Less: Bank overdraft	(8,337)	(510)
Deposits placed with financial institutions with original maturity of more than three (3) months	(812)	-
Restricted cash	94	(2,767)
	24,597	16,196

PRG HOLDINGS BERHAD
(Company No: 541706-V)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
FOR THE PERIOD ENDED 30 SEPTEMBER 2018 - UNAUDITED

Reconciliation of liabilities arising from financing activities

	Period ended 30 September	
	2018 RM'000	2017 RM'000
Borrowings at 1 January **	28,569	50,292
Cash flows	(3,619)	(11,092)
Non-cash flows:		
- Settlement of term loan through restricted cash	(2,198)	-
- Acquisition of property, plant and equipment	-	337
- Partial disposal of a subsidiary	-	(3,870)
- Effect of foreign exchange	(113)	(419)
Borrowings at 30 September **	<u>22,639</u>	<u>35,248</u>

** Borrowings exclude bank overdraft

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial period ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

PRG HOLDINGS BERHAD (541706-V)
PART A: NOTES TO THE INTERIM FINANCIAL STATEMENTS

A1 BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with the reporting requirements of MFRS 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB"), IAS 34 *Interim Financial Reporting* and applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2017. The consolidated financial statements of the Group as at and for the year ended 31 December 2017 were prepared under Financial Reporting Standards ("FRSs"). The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2017.

Malaysian Financial Reporting Standard ("MFRS Framework")

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 MFRS financial statements for the financial year ending 31 December 2018. In presenting its 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.

This is the Group's condensed consolidated interim financial report for the period covered by the Group's MFRS framework and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. Comparative figures, where applicable, have been restated as result of transition to MFRS framework. An explanation of how the transition to MFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in Note A2.

PRG HOLDINGS BERHAD (541706-V)
PART A: NOTES TO THE INTERIM FINANCIAL STATEMENTS

A2 Explanations of transition to MFRSs

The financial impacts to the condensed interim financial report of the Group arising from the adoption of MFRSs are disclosed in the following tables.

Reconciliation of statement of comprehensive income

	3 months ended 30/09/2017			Period ended 30/09/2017		
	As previously reported RM'000	Effects of transition to MFRSs RM'000	Restated RM'000	As previously reported RM'000	Effects of transition to MFRSs RM'000	Restated RM'000
Revenue	54,183	834	55,017	147,594	1,925	149,519
Cost of sales	(38,070)	(1,920)	(39,990)	(103,359)	(4,563)	(107,922)
Gross profit	16,113	(1,086)	15,027	44,235	(2,638)	41,597
Other income	4,029	-	4,029	5,074	-	5,074
Selling and marketing expenses	(3,897)	2,990	(907)	(7,276)	4,502	(2,774)
Administrative expenses	(12,385)	-	(12,385)	(29,073)	-	(29,073)
Other expenses	(304)	-	(304)	(1,477)	-	(1,477)
Interest income	42	-	42	143	-	143
Finance costs	(377)	-	(377)	(1,101)	-	(1,101)
Share of profit of a joint venture (net of tax)	144	-	144	226	-	226
Profit before tax	3,365	1,904	5,269	10,751	1,864	12,615
Tax expense	(1,390)	530	(860)	(4,363)	3,239	(1,124)
Profit for the period	1,975	2,434	4,409	6,388	5,103	11,491
Other comprehensive income						
Foreign currency translations	(1,426)	-	(1,426)	(2,669)	-	(2,669)
Share of other comprehensive income of an associate	-	-	-	-	-	-
Share of other comprehensive income of a joint venture	-	-	-	-	-	-
Total comprehensive income for the period	549	2,434	2,983	3,719	5,103	8,822
Profit attributable to:						
Owners of the parent	1,201	1,460	2,661	3,506	3,061	6,567
Non-controlling interests	774	974	1,748	2,882	2,042	4,924
	1,975	2,434	4,409	6,388	5,103	11,491
Total comprehensive income attributable to:						
Owners of the parent	(227)	1,460	1,233	832	3,061	3,893
Non-controlling interests	776	974	1,750	2,887	2,042	4,929
	549	2,434	2,983	3,719	5,103	8,822

PRG HOLDINGS BERHAD (541706-V)
PART A: NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

A2 Explanations of transition to MFRSs (continued)

The financial impacts to the condensed interim financial report of the Group arising from the adoption of MFRSs are disclosed in the following tables (continued).

Reconciliation of statement of financial position

	Audited As at 31-12-17 RM'000	Effects of transition to MFRSs RM'000	Restated As at 31-12-17 RM'000	Audited As at 01-01-17 RM'000	Effects of transition to MFRSs RM'000	Restated As at 01-01-17 RM'000
Non-current assets						
Property, plant and equipment	44,495	-	44,495	50,166	-	50,166
Intangible assets	1,409	-	1,409	1,457	-	1,457
Investments in associates	5,447	-	5,447	-	-	-
Investment in a joint venture	1,109	-	1,109	1,355	-	1,355
Deferred tax assets	1,710	4,476	6,186	564	2,577	3,141
Total non-current assets	54,170	4,476	58,646	53,542	2,577	56,119
Current assets						
Property development costs	167,959	(167,959)	-	156,923	(156,923)	-
Inventories	21,481	185,034	206,515	23,888	165,959	189,847
Trade and other receivables	93,982	-	93,982	31,641	-	31,641
Current tax assets	1,240	-	1,240	959	-	959
Cash and bank balances	42,023	-	42,023	20,504	-	20,504
Total current assets	326,685	17,075	343,760	233,915	9,036	242,951
Total assets	380,855	21,551	402,406	287,457	11,613	299,070
Equity						
Share capital	77,730	-	77,730	74,555	-	74,555
Share premium	-	-	-	1,404	-	1,404
Treasury shares	(87)	-	(87)	(87)	-	(87)
Exchange translation differences	(3,081)	-	(3,081)	26	-	26
Warrants reserve	3,851	-	3,851	4,022	-	4,022
Retained earnings	57,367	3,766	61,133	43,982	1,888	45,870
Total attributable to owners of the parent	135,780	3,766	139,546	123,902	1,888	125,790
Non-controlling interests	28,891	2,513	31,404	(977)	1,259	282
Total equity	164,671	6,279	170,950	122,925	3,147	126,072
Non-current liabilities						
Borrowings	20,319	-	20,319	17,201	-	17,201
Trade and other payables	9,556	-	9,556	11,580	-	11,580
Deferred tax liabilities	857	-	857	1,089	-	1,089
Total non-current liabilities	30,732	-	30,732	29,870	-	29,870
Current liabilities						
Borrowings	8,250	-	8,250	33,751	-	33,751
Trade and other payables	176,004	15,272	191,276	100,242	8,466	108,708
Current tax liabilities	1,198	-	1,198	669	-	669
Total current liabilities	185,452	15,272	200,724	134,662	8,466	143,128
Total liabilities	216,184	15,272	231,456	164,532	8,466	172,998
Total equity and liabilities	380,855	21,551	402,406	287,457	11,613	299,070

Reconciliation of statement of cash flows

There are no material differences between the statement of cash flows presented under MFRS Framework and statement of cash flows presented under FRSS.

PRG HOLDINGS BERHAD (541706-V)
PART A: NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

A3 AUDITORS' REPORT ON PRECEDING YEAR'S FINANCIAL STATEMENTS

The report of the auditors to members of the Company dated 15 March 2018 on the audited financial statements for the financial year ended 31 December 2017 did not contain any qualification.

A4 SEASONALITY OF OPERATIONS

The Group's results were not materially affected by any major seasonal or cyclical factors.

A5 UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOW

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter and financial period under review.

A6 CHANGES IN ACCOUNTING ESTIMATES

There were no changes in accounting estimates that have had a material effect in the results of the current quarter and financial period under review.

A7 DEBT AND EQUITY SECURITIES

During the financial period ended 30 September 2018, the Company increased its issued and paid up share capital from 302,070,374 to 308,941,374 by way of:

- (a) Issuance of 2,065,000 new ordinary shares pursuant to the exercise of Warrants 2014/2019 at an issue price of RM0.375 per ordinary share; and
- (b) Issuance of 4,806,000 new ordinary shares as Consideration Shares for acquisition of 55% of the enlarged share capital of PRG Active Sdn. Bhd. (formerly known as SP Chin Healthcare Sdn. Bhd.).

Save for the above, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during financial year under review.

A8 DIVIDENDS PAID

No dividend was paid in current financial period under review.

A9 PROPERTY, PLANT AND EQUIPMENT

- (a) Acquisitions and disposals

There were no material acquisitions and disposals during and financial year under review.

- (b) Impairment losses

There were no impairment losses during the financial year under review.

- (c) Valuation

The valuation of land and buildings has been brought forward without amendment from the previous year's financial statements.

PRG HOLDINGS BERHAD (541706-V)
PART A: NOTES TO THE INTERIM FINANCIAL STATEMENTS (cont'd)

A10 OPERATING SEGMENTS

Information on reportable segments is presented as follows:

	Manufacturing RM'000	Property development & construction RM'000	Healthcare RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>For the period ended 30 September 2017 (restated)</u>						
Revenue						
Revenue from external customers	85,791	63,728	-	-	-	149,519
Inter-segment revenue	5,930	22,333	-	26,594	(54,857)	-
Total revenue	<u>91,721</u>	<u>86,061</u>	<u>-</u>	<u>26,594</u>	<u>(54,857)</u>	<u>149,519</u>
Listing expenses	8,048	-	-	-	-	8,048
Segment results	4,594	8,693	(5)	(893)	-	12,389
Share of profit of a joint venture (net of tax)	226	-	-	-	-	226
Profit before tax	<u>4,820</u>	<u>8,693</u>	<u>(5)</u>	<u>(893)</u>	<u>-</u>	<u>12,615</u>
Tax expense						(1,124)
Profit for the period						<u><u>11,491</u></u>
<u>For the period ended 30 September 2018</u>						
Revenue						
Revenue from external customers	67,535	35,616	1,272	-	-	104,423
Inter-segment revenue	1,014	15,234	-	-	(16,248)	-
Total revenue	<u>68,549</u>	<u>50,850</u>	<u>1,272</u>	<u>-</u>	<u>(16,248)</u>	<u>104,423</u>
Segment results	2,176	(150)	(606)	(584)	-	836
Share of profit of a joint venture (net of tax)	194	-	-	-	-	194
Share of loss of associates (net of tax)	(808)	(50)	-	-	-	(858)
Profit before tax	<u>1,562</u>	<u>(200)</u>	<u>(606)</u>	<u>(584)</u>	<u>-</u>	<u>172</u>
Tax expense						(1,873)
Loss for the period						<u><u>(1,701)</u></u>

PRG HOLDINGS BERHAD (541706-V)
PART A: NOTES TO THE INTERIM FINANCIAL STATEMENTS (cont'd)

A11 EVENTS AFTER BALANCE SHEET DATE

- a) On 13 July 2018, PRG Healthcare Sdn. Bhd. (formerly known as PRG Ventures Sdn. Bhd.) ("PRGH"), a wholly-owned subsidiary of the Company entered into a shares sale agreement ("SSA") with Lin, Shen-Yi ("LSY") and Loh Pui San ("LPS") (LSY & LPS shall collectively be referred to as the "Vendors"), Tee Swee Guan ("TSG"), ZA 28 Group Sdn. Bhd. ("ZA") and Goldbest Venture Sdn. Bhd. ("GV") (PRGH, TSG, ZA & GV shall collectively be referred to as the "Purchasers") in respect of the sale and purchase of 1,152,349 ordinary shares equivalent to 41.2% of the issued and paid-up capital of Esther Postpartum Care Sdn. Bhd. ("EPC"), upon the terms and conditions stipulated in the SSA. In conjunction with the SSA, PRGH has on 13 July 2018 entered into a shareholders agreement ("SA") with the Vendors, TSG, ZA and GV to amongst others, set out the terms governing their relationships as shareholders in EPC and in respect of the management of EPC. Simultaneously with the SSA, the Purchasers have on 13 July 2018 entered into a call option agreement ("COA") with EPC for the option to subscribe 430,785 new EPC shares equivalent to 13.33% of the enlarged issued and paid up share capital of EPC. The SSA, SA and COA shall collectively be referred to as the "Proposals".

The Proposals are completed on 11 October 2018 following the fulfilment of all the completion obligation of the SSA, SA and COA by respective Parties.

The effective shareholding of PRGH in EPC shall be 26.21% following the completion of the SSA and COA.

- b) On 3 October 2018, the Company has disposed 60,480,000 ordinary shares of Hong Kong Dollar (HK\$) 0.10 each ("Sale Shares") to independent third parties, representing 12% equity interest in Furniweb Holdings Limited ("FHL") for a total cash consideration of HK\$ 0.50 (equivalent to RM0.26) per Sale Share. Upon completion of the Proposed Disposal, PRG's shareholdings in FHL will be reduced from 378,000,000 ordinary shares representing 75% to 317,520,000 ordinary shares representing 63%.

Save for the above, there were no material events subsequent to the end of the financial period.

A12 CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial period under review except for the followings:

a) Internal reorganisation

On 4 January 2018, the Group undertook an internal reorganisation for the property division. PRG Property Sdn. Bhd. disposed its entire equity interest in Premier Construction (International) Sdn. Bhd. to PRG Construction Sdn. Bhd..

b) Incorporation of new subsidiaries

- i) On 9 March 2018, the Company incorporated and subscribed for one (1) ordinary share representing 100% equity interest in PRG Asset Holdings Sdn. Bhd., a company incorporated in Malaysia, for a total consideration of RM1.00.
- ii) On 16 March 2018, a wholly-owned subsidiary of the Company, PRG Asset Holdings Sdn. Bhd. incorporated and subscribed for one (1) ordinary share representing 100% equity interest in PRG Land Sdn. Bhd., a company incorporated in Malaysia, for a total consideration of RM1.00.
- iii) The Company's subsidiary, Furniweb Holdings Limited ("FHL") had on:
- 9 April 2018 acquired one (1) ordinary share representing 100% equity interest in Premier Management International Limited, a limited liability company incorporated in Hong Kong on 25 November 2016 under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), from Liew Ching Hoong for a cash consideration of HKD1.00; and
 - 11 April 2018 incorporated PP Retail Pte Ltd, a private company limited by shares in Singapore under the Companies Act (Chapter 50 of the Laws of Singapore).

PRG HOLDINGS BERHAD (541706-V)
PART A: NOTES TO THE INTERIM FINANCIAL STATEMENTS (cont'd)

A12 CHANGES IN COMPOSITION OF THE GROUP (CONT'D)

There were no changes in the composition of the Group during the financial period under review except for the followings: (cont'd)

c) Acquisition of new subsidiary

On 4 May 2018, PRG Healthcare Sdn. Bhd. (formerly known as PRG Ventures Sdn. Bhd.) ("PRGH"), a wholly-owned subsidiary of the Company entered into a shares sale agreement for the proposed acquisition of 55% of the enlarged share capital of PRG Active Sdn. Bhd. (formerly known as SP Chin Healthcare Sdn. Bhd.) for a purchase consideration of approximately RM4.125 million ("SSA"). The Proposed SP Chin Acquisition was completed on 16 July 2018 following the fulfilment of all the conditions precedent of the SSA and the issuance of 4,806,000 Consideration Shares to the Vendors.

Accordingly, PRG Active Sdn. Bhd. (formerly known as SP Chin Healthcare Sdn. Bhd.) has become an indirect 55%-owned subsidiary of the Company.

A13 CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent liabilities and contingent assets since the last annual balance sheet as at 31 December 2017.

A14 CAPITAL COMMITMENTS

	30-09-18 RM'000
Commitment for acquisition of healthcare business	
- Approved and contracted for	3,562

A15 MATERIAL RELATED PARTY TRANSACTIONS

	Quarter ended 30 September		Period ended 30 September	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Transaction with corporations in which spouse of a Director and shareholder of a subsidiary has interest</u>				
- Investigator fee, agent fee and centre fee	427	-	427	-
- Purchase of goods	(99)	-	(99)	-
- Consultancy fees	(17)	-	(17)	-
<u>Transaction with joint venture partner</u>				
Sale of goods	1,042	1,147	1,657	2,436
<u>Transaction with corporation in which Director of an associate has interest</u>				
Sale of goods	244	339	734	786

Apart from the above, there were no other material related party transactions entered into during the current quarter and financial period under review.

B1 ANALYSIS OF PERFORMANCE

The Group's revenue of RM30.6 million for third quarter of 2018 was RM24.4 million lower than the RM55.0 million revenue reported in the corresponding quarter of the preceding year. The Group's revenue for the 9 months ended 30 September 2018 was RM104.4 million, representing RM45.1 million decrease as compared to revenue of RM149.5 million recorded in the same period of the preceding year.

The Group recorded a loss before tax of RM1.5 million in the third quarter of 2018, which was RM6.8 million lower than profit before tax of RM5.3 million reported in the corresponding quarter of the preceding year. Profit before tax for the 9 months ended 30 September 2018 was RM0.2 million, representing RM12.4 million decrease as compared to profit before tax of RM12.6 million recorded in the same period of the preceding year.

Decrease in the Group's revenue and profit before tax during the financial period was mainly due to decrease in revenue from Picasso Residence development project due to lesser units sold during the financial period as well as decrease in revenue from manufacturing segment resulted from decrease in sales volume of certain products and selling of more relatively lower margin products due to competitive market condition. The impact of decrease in revenue on profit before tax was slightly cushioned by lower administrative expenses and other expenses as compared to the same period of the preceding year.

a) Manufacturing

The revenue of RM23.0 million from manufacturing segment for the current quarter of year 2018 was RM4.3 million lower than RM27.3 million recorded in the corresponding quarter of 2017. The segment's revenue for the 9 months ended 30 September 2018 of RM67.5 million was RM18.3 million lower than RM85.8 million recorded in the same period of the preceding year.

Profit before tax of RM0.6 million from manufacturing segment for the current quarter of year 2018 was RM0.3 million higher than profit before tax of RM0.3 million recorded in the corresponding quarter of 2017. The segment's profit before tax for the 9 months ended 30 September 2018 of RM1.6 million was RM3.2 million lower than profit before tax of RM4.8 million recorded in the same period of the preceding year.

The decrease in revenue was mainly due to reduced sales for certain existing products as certain customers became more prudent in their procurement plan in view of the uncertainty in the global trade market as a result of the ongoing trade spat between the United States and China as well as their local currencies depreciated against USD. Besides that, the manufacturing segment also increased sales of relatively lower margin products due to competitive business environment. The weakening in USD against RM in the first three quarters of 2018 against the corresponding period in 2017 has lowered the revenue reported in RM for the sales denominated in USD. The exclusion of revenue from sales of metal components for furniture (from the subsidiary which has become an associate of the Company since 14 September 2017) from consolidation also contributed to the decrease in revenue during the period. Decrease in profit before tax was mainly due to lower revenue from the sales of various products and an increase in raw material costs. The profit before tax was also further impacted by additional post-listing administrative and corporate expenses.

b) Property development & construction

The property development & construction segment recorded revenue of RM6.3 million for the current quarter of 2018, which is RM21.4 million lower than RM27.7 million recorded in the corresponding quarter of 2017. The segment's revenue for the 9 months ended 30 September 2018 of RM35.6 million was RM28.1 million lower than RM63.7 million recorded in the same period of the preceding year.

Loss before tax of RM1.7 million from property development & construction segment for the current quarter of year 2018 was RM6.7 million lower than profit before tax of RM5.0 million recorded in the corresponding quarter of 2017. The segment's loss before tax for the 9 months ended 30 September 2018 of RM0.2 million was RM8.9 million lower than profit before tax of RM8.7 million recorded in the same period of the preceding year.

Decrease in revenue and lower profit before tax for the current quarter and for the period ended 30 September 2018 was mainly due to lower sales from Picasso Residence project.

c) Healthcare

The healthcare segment recorded revenue of RM1.3 million and loss before tax of RM0.1 million in the current quarter. The revenue and loss before tax for the period ended 30 September 2018 were RM1.3 million and RM0.6 million respectively. The loss before tax position was mainly due to timing of certain initial expenses which are non-recurring in nature.

B2 COMPARISON WITH IMMEDIATE PRECEDING QUARTER

The Group recorded revenue of RM30.6 million and loss before tax of RM1.5 million for the current quarter ended 30 September 2018 compared to revenue of RM26.6 million and loss before tax of RM2.4 million for the immediate preceding quarter. Increase in revenue and decrease in loss before tax compared with immediate preceding quarter were mainly due to increase in revenue contribution from Picasso Residence project and contribution from new healthcare business.

B3 PROSPECTS FOR CURRENT FINANCIAL YEAR

The on-going trade spat between United States and China which poses risk to the global trade, has increased uncertainty in the market that may result in a lower global growth rate. With the global economy under threat due to the imposition of new tariff, the Group anticipates that the prospect of manufacturing business in the near future will be challenging. However, we also foresee challenges from the recent crude oil price surge that will increase the price of crude-oil based raw materials, which will impact the gross profit margin of manufacturing business. Further, any significant movement in the exchange rate between RM and USD may result in foreign exchange gains or losses, which may affect the Group's performance as the Group derives a significant amount of its revenue in USD.

In addition, the Group continues to focus on marketing and sale of the Picasso Residence units and is strengthening its presence in the property development market by venturing into affordable housing with strategic partners.

The Group is venturing into healthcare business as part of the Group's vertical integration along the value chain in the wellness segment of the healthcare industry which is thriving and has opportunity for growth. The investments into healthcare business are expected to diversify the stream of income of the Group and compensate for business cycle fluctuations.

B4 PROFIT FORECAST

Not applicable as the Group did not publish any profit forecast.

B5 INCOME TAX EXPENSE

	Quarter ended 30 September		Period ended 30 September	
	2018 RM'000	2017 RM'000 (restated)	2018 RM'000	2017 RM'000 (restated)
Current tax expense				
- Malaysia	(250)	3,243	736	3,097
- Overseas	348	768	673	1,178
	98	4,011	1,409	4,275
Deferred tax	464	(3,151)	464	(3,151)
	562	860	1,873	1,124

The effective tax rates of the Group for the current quarter and for the period ended 30 September 2018 were higher than the statutory tax rate as certain subsidiaries were making losses and certain expenses were not deductible for tax purposes.

B6 STATUS OF CORPORATE PROPOSAL

- a) On 25 April 2018, Furniweb Holdings Limited ("FHL"), a 75% owned subsidiary of the Company entered into a letter of intent, which is legally binding, with Philipp Plein International AG and Plein Sport AG to record the parties' intention to start a business collaboration, initially in Singapore, Malaysia and Thailand. The authorised dealer agreement was signed during the current quarter.

Save for the above, there were no corporate proposals announced but not completed as at the date of this report.

B7 BORROWINGS

The Group's borrowings are as follows:

	As at	
	30/09/2018	31/12/2017
	RM'000	RM'000
Current liabilities	11,725	8,250
Non-current liabilities	19,251	20,319
	30,976	28,569
The borrowings are denominated in the following currencies:		
- Ringgit Malaysia	29,202	24,076
- United States Dollar	-	478
- Vietnamese Dong	1,774	4,015
	30,976	28,569

The bank borrowings are secured by way of debentures on the fixed and floating assets of the Group and corporate guarantees of the Company.

B8 DIVIDENDS

No dividend has been proposed by the Board of Directors for the financial year ending 31 December 2018.

B9 NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

	Quarter ended		Period ended	
	30 September		30 September	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Operating profit is arrived at after charging/(crediting):				
Depreciation and amortisation	1,232	1,314	3,615	3,802
Interest expense	339	377	895	1,101
Interest income	(172)	(42)	(554)	(143)
Inventories written down	6	99	202	78
Gain on disposals of property, plant and equipment	(8)	(277)	(199)	(572)
Gain on disposal of a subsidiary	-	(3,210)	-	(3,210)
Net (gain)/loss on foreign exchange	(411)	(50)	(250)	829
Property, plant and equipment written off	2	-	2	-
Provision of allowance for doubtful debts	-	-	2	-
Reversal of inventories written down	(203)	-	(251)	-

- a) Apart from the above, there were no impairment of other assets during the current quarter and financial period under review.
- b) There were no gain or loss on derivatives during the current quarter and financial period under review.
- c) There were no exceptional items during the current quarter and financial period under review.

B10 MATERIAL LITIGATION

The Group is not involved in any claim or legal action that will have a material effect on the Group's financial position, results of operations or liquidity as at the date of this report.

B11 (LOSS)/EARNINGS PER ORDINARY SHARE

a) Basic (loss)/earnings per ordinary share

Basic (loss)/earnings per ordinary share is calculated by dividing the (loss)/profit attributable to owners of the parent for the period by the weighted average number of ordinary shares in issue during the period (excluding treasury shares).

	Quarter ended 30 September		Period ended 30 September	
	2018	2017 (restated)	2018	2017 (restated)
(Loss)/Profit attributable to owners of the parent (RM'000)	(2,106)	2,661	(3,078)	6,567
Weighted average number of ordinary shares in issue ('000)	307,505	298,831	304,118	298,271
Basic (loss)/earnings per ordinary share (sen)	(0.68)	0.89	(1.01)	2.20

b) Diluted (loss)/earnings per ordinary share

Diluted (loss)/earnings per ordinary share is calculated by dividing the (loss)/profit attributable to equity holders of the parent for the period by the weighted average number of ordinary shares in issue adjusted for the effects of dilutive potential ordinary shares.

	Quarter ended 30 September		Period ended 30 September	
	2018	2017 (restated)	2018	2017 (restated)
(Loss)/Profit attributable to owners of the parent (RM'000)	(2,106)	2,661	(3,078)	6,567
Weighted average number of ordinary shares in issue ('000)	307,505	298,831	304,118	298,271
Effect of dilution ('000)	49,404	59,853	52,741	57,245
Adjusted weighted average number of ordinary shares in issue ('000)	356,909	358,684	356,859	355,516
Diluted (loss)/earnings per ordinary share (sen)	(0.59)	0.74	(0.86)	1.85

B12 NET ASSETS PER SHARE

Net assets per share attributable to owners of the parent is arrived at by dividing the total equity attributable to owners of the parent at the end of the period/year by the number of ordinary shares in issue at the end of the period/year (excluding treasury shares).

	As at	
	30/09/2018	31/12/2017 (restated)
Total equity attributable to owners of the parent (RM'000)	141,193	139,546
Number of ordinary shares in issue ('000)	309,359	302,488
Number of shares repurchased ('000)	(418)	(418)
Number of ordinary shares in issue (excluding treasury shares) ('000)	308,941	302,070
Net assets per share attributable to owners of the parent (RM)	0.4570	0.4620

B13 AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 November 2018.