

APPENDIX II

**UNAUDITED COMBINED FINANCIAL STATEMENTS OF FIBROMAT (M)
BERHAD FOR THE EIGHT (8) MONTHS FPE 31 AUGUST 2018**

FIBROMAT (M) BERHAD (1022133 - V)

(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL PERIOD
AS AT 31 AUGUST 2018 AND 31 AUGUST 2017

	Note	As at 31 August 2018 RM	As at 31 August 2017 RM
ASSETS			
Non-current assets			
Property, plant and equipment	4	24,551,806	21,114,353
Investment property	5	220,647	-
Deferred tax assets	6	687,271	906,331
		25,459,724	22,020,684
Current assets			
Inventories	7	12,813,948	8,328,178
Trade and other receivables	8	18,916,640	15,348,363
Current tax assets		827,076	451,542
Cash and bank balances	9	1,773,862	2,756,335
		34,331,526	26,884,418
TOTAL ASSETS		<u>59,791,250</u>	<u>48,905,102</u>
EQUITY AND LIABILITIES			
Equity attributable to common controlling shareholders of the combining entities			
Share capital	10	6,500,000	5,000,000
Retained earnings		29,412,854	24,225,093
TOTAL EQUITY		<u>35,912,854</u>	<u>29,225,093</u>
LIABILITIES			
Non-current liabilities			
Borrowings	11	9,010,060	6,453,093
Current liabilities			
Trade and other payables	14	6,206,559	9,142,021
Borrowings		8,661,777	4,084,895
Current tax liabilities		-	-
		14,868,336	13,226,916
TOTAL LIABILITIES		<u>23,878,396</u>	<u>19,680,009</u>
TOTAL EQUITY AND LIABILITIES		<u>59,791,250</u>	<u>48,905,102</u>

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

FIBROMAT (M) BERHAD (1022133 - V)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2018 AND 31 AUGUST 2017

	Note	<u>31 August 2018 RM</u>	<u>31 August 2017 RM</u>
Revenue	15	35,784,261	30,414,826
Cost of sales	17	<u>(27,918,698)</u>	<u>(23,252,155)</u>
Gross profit		7,865,563	7,162,671
Other income		599,637	1,201,312
Administration expenses		(2,826,074)	(2,870,578)
Selling and distribution costs		(573,295)	(793,226)
Finance costs	19	<u>(832,765)</u>	<u>(569,622)</u>
Profit before tax		4,233,066	4,130,557
Tax expense		<u>(405,210)</u>	<u>(333,332)</u>
Profit for the financial year		3,827,856	3,797,225
Other comprehensive income, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>3,827,856</u></u>	<u><u>3,797,225</u></u>

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

FIBROMAT (M) BERHAD (1022133 - V)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL THE FINANCIAL PERIOD ENDED 31 AUGUST 2018 AND 31 AUGUST
2017

	Share capital RM	Distributable Retained earnings RM	Total equity RM
Balance as at 31 December 2016/ 1 January 2017	5,000,000	20,427,868	25,427,868
Profit for the financial period	-	3,797,225	3,797,225
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	-	3,797,225	3,797,225
Transactions with owners			
Issuance of ordinary shares	-	-	-
Dividends paid	-	-	-
Total transactions with owners	-	-	-
Balance as at 31 August 2017	5,000,000	24,225,093	29,225,093
Balance as at 31 December 2017/ 1 January 2018	6,500,000	25,584,998	32,084,998
Profit for the period end 31 August 2018 Other comprehensive income,	-	3,827,856	3,827,856
Total comprehensive income	-	3,827,856	3,827,856
Transactions with owners			
Issuance of ordinary shares	-	-	-
Dividends paid	-	-	-
Total transactions with owners	-	-	-
Balance as at 31 August 2018	6,500,000	29,412,854	35,912,854

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

FIBROMAT (M) BERHAD (1022133 - V)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL THE FINANCIAL PERIOD ENDED 31 AUGUST 2018 AND 31 AUGUST
2017

	31 August 2018 RM	31 August 2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	4,233,065	4,130,557
Adjustments for:		
Depreciation of property, plant and equipment	1,026,700	852,459
Impairment losses on trade receivables	-	-
Finance costs	832,765	563,687
Interest income	(9,239)	(8,218)
Gain on disposals of property, plant and equipment	-	-
Inventories written down	-	-
Reversal of impairment losses on trade receivables	504,372	1,270,105
Unrealised gain on foreign exchange, net	<u>(48,013)</u>	<u>77,011</u>
Operating profit before changes in working capital	6,539,650	6,885,601
Changes in working capital:		
Inventories	(3,862,217)	(1,314,486)
Trade and other receivables	722,142	(952,358)
Trade and other payables	<u>(4,581,304)</u>	<u>143,931</u>
Cash generated from operations	(1,181,729)	4,762,688
Tax paid	(797,345)	(1,280,271)
Tax refunded	<u>-</u>	<u>-</u>
Net cash from operating activities	(1,979,074)	3,482,417
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances from/(Repayments to) related parties	-	-
Repayment to Directors	-	-
Interest received	9,239	8,218
Purchase of property, plant and equipment	(3,458,197)	(1,117,922)
Proceeds from disposals of property, plant and equipment	-	-
Placement of deposit pledged to a licensed bank	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>(3,448,958)</u>	<u>(1,109,704)</u>

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

FIBROMAT (M) BERHAD (1022133 - V)

(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL THE FINANCIAL PERIOD ENDED 31 AUGUST 2018 AND 31 AUGUST 2017 (continued)

	31 August 2018 RM	31 August 2017 RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	-
Proceeds from issuance of ordinary shares	-	-
Interest paid	(832,765)	(563,687)
Drawdown of term loans	1,669,775	565,509
Drawdown of banker's acceptance	3,824,000	-
Repayments of:		
- hire purchase liabilities	(479,030)	(511,558)
- term loans	(2,376,483)	(2,426,162)
Net cash from/(used in) financing activities	<u>1,805,497</u>	<u>(2,935,898)</u>
Net increase/(decrease) in cash and cash equivalents	(3,622,535)	(563,185)
Effect of exchange rate changes	48,013	13,059
Cash and cash equivalents at beginning of financial year	<u>4,251,955</u>	<u>2,241,313</u>
Cash and cash equivalents at end of financial period	<u><u>677,433</u></u>	<u><u>1,691,187</u></u>

1. GENERAL INFORMATION

Fibromat (M) Berhad (“the Company” or “Fibromat”) was incorporated in Malaysia as a public limited company and principally engaged in the business of investment holding.

Fibromat and MTS Fibromat (M) Sdn. Bhd. (“MTS Fibromat”) shall collectively be referred to as “the combining entities” or “the Group” or “Fibromat Group” hereinafter. Both have their registered office and principal place of business as follows:

Registered office : Lot 6.05,
Level 6, KPMG Tower,
8 First Avenue, Bandar Utama,
47800 Petaling Jaya,
Selangor Darul Ehsan.

Principal place of business : No. 574,
Jalan Samudra Utara 1,
Taman Samudra,
68100 Batu Caves,
Selangor Darul Ehsan.

The combined financial statements are presented in Ringgit Malaysia (“RM”), which is also the functional currency of the Group.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The details of the subsidiary company are as follows:

Name of company	Country of incorporation	Equity interest	Principal activities
MTS Fibromat (M) Sdn. Bhd.	Malaysia	100%	Design and installation services for erosion control solutions, manufacturing of in-house erosion control products and trading of erosion control products

3. BASIS OF PREPARATION

The combined financial statements are the combination or aggregation of the management financial information of Fibromat and MTS Fibromat for the past two (2) financial period 31 August 2018 and 31 August 2017.

The combined financial statements were prepared in manner similar to the “pooling-of-interest” method, as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest period covered by the relevant reporting periods. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant reporting periods.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of common controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The identifiable assets and liabilities of all commonly controlled entities are accounted for at their historical costs. All material intra-group transactions and balances are eliminated upon combination, where applicable.

The combined financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”) and International Financial Reporting Standards (“IFRSs”). The combined financial statements have been prepared under the historical cost convention except as otherwise stated in the combined financial statements.

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

The preparation of combined financial statements in conformity with MFRSs and IFRSs 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 respective notes to the combined 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. PROPERTY, PLANT AND EQUIPMENT

Carrying amount	Balance as at 1.1.2017 RM	Additions RM	Reclassifications RM	Depreciation charges for the financial year RM	Balance as at 31.8.2017 RM
Freehold land	754,404	-	-	-	754,404
Long term leasehold land	1,987,056	-	-	(13,933)	1,973,123
Buildings	6,193,302	-	6,433,103	(173,462)	12,452,943
Motor vehicles	1,105,547	-	-	(198,318)	907,229
Plant and machinery	3,533,274	762,793	-	(347,340)	3,948,727
Furniture and fittings, computer equipment and office equipment	499,413	55,391	-	(46,748)	508,056
Equipment and tools	151,321	-	-	(18,024)	133,297
Mould and dies	97,165	-	-	(10,232)	86,933
Renovation	94,305	-	-	(10,220)	84,085
Construction-in-progress	6,433,103	-	(6,433,103)	-	-
Laboratory equipment	-	19,120	-	(637)	18,483
Signboard, Site Equipment, Site Machinery	-	-	272,227	(25,153)	247,074
	<u>20,848,890</u>	<u>837,304</u>	<u>533,948</u>	<u>(852,459)</u>	<u>21,114,353</u>

	At 31.8.2017		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	754,404	-	754,404
Long term leasehold land	2,069,523	(96,400)	1,973,123
Buildings	13,009,372	(556,429)	12,452,943
Motor vehicles	2,070,380	(1,163,151)	907,229
Plant and machinery	6,458,903	(2,510,176)	3,948,727
Furniture and fittings, computer equipment and office equipment	812,618	(304,562)	508,056
Equipment and tools	270,358	(137,061)	133,297
Mould and dies	153,480	(66,547)	86,933
Renovation	174,220	(90,136)	84,085
Laboratory equipment	19,120	(637)	18,482
Signboard, Site Equipment, Site Machinery	533,948	(286,874)	247,074
	<u>26,326,326</u>	<u>(5,211,973)</u>	<u>21,114,353</u>

Carrying amount	Balance as at 1.1.2018 RM	Additions RM	Reclassifications RM	Depreciation charges for the financial year RM	Balance as at 31.8.2018 RM
Freehold land	754,404	-	-	-	754,404
Long term leasehold land	1,966,155	-	-	(13,933)	1,952,218
Buildings	13,065,239	2,000,000	583,354	(207,223)	15,441,370
Motor vehicles	1,045,556	50,000	-	(238,320)	857,236
Plant and machinery	3,890,426	696,647	-	(423,448)	4,163,625
Furniture and fittings, computer equipment and office equipment	509,264	15,630	-	(49,867)	475,027
Equipment and tools	124,285	-	-	(18,024)	106,261
Mould and dies	81,817	-	-	(10,233)	71,584
Renovation	79,182	228,026	-	(18,578)	288,630
Site Machinery	247,135	15,500	-	(30,992)	231,643
Laboratory equipment	118,047	107,841	-	(16,080)	209,807
	21,881,510	3,113,644	583,354	(1,026,702)	24,551,806

	At 31.8.2018		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	754,404	-	754,404
Long term leasehold land	2,069,523	(117,305)	1,952,218
Buildings	16,291,751	(850,381)	15,441,370
Motor vehicles	2,320,367	(1,513,131)	857,236
Plant and machinery	7,263,888	(3,100,263)	4,163,625
Furniture and fittings, computer equipment and office equipment	854,212	(379,185)	475,027
Equipment and tools	270,359	(164,098)	106,261
Mould and dies	153,480	(81,896)	71,584
Renovation	402,245	(113,615)	288,630
Laboratory equipment	255,051	(45,243)	209,808
Site Machinery	564,248	(332,605)	231,642
	31,249,528	(6,697,722)	24,551,806

5. INVESTMENT PROPERTY

	Investment property under construction as at	
	31 August 2018 RM	31 August 2017 RM
At cost		
Property under construction	220,647	-

The fair value of the investment property under construction cannot be reliably determined and accordingly, no fair value information is being disclosed.

6. DEFERRED TAX (ASSETS)/LIABILITIES

	31 August 2018 RM	31 August 2017 RM
Balance as at 1 January	(282,060)	(947,456)
Deffered tax asset -provision	(405,211)	-
Deffered tax liability -Tax refund	-	41,125
Balance as at 31 December	(687,271)	(906,331)

7. INVENTORIES

	31 August 2018 RM	31 August 2017 RM
At cost		
Raw materials	5,011,544	300,975
Work-in-progress	299,720	205,024
Finished goods	7,502,684	7,822,179
	<u>12,813,948</u>	<u>8,328,178</u>

8. TRADE AND OTHER RECEIVABLES

	31 August 2018 RM	31 August 2017 RM
Trade receivables		
Third parties	24,751,160	21,964,273
Amounts owing by related parties	-	-
	24,751,160	21,964,273
Less: Impairment losses	<u>(6,968,018)</u>	<u>(7,561,918)</u>
Total trade receivables	<u>17,783,142</u>	<u>14,402,355</u>
Other receivables		
Third parties	71,975	(623,953)
Amounts owing by related parties	-	-
Amount owing by a Director	-	-
Deposits	133,721	891,708
Total other receivables	<u>205,696</u>	<u>267,755</u>
Loans and receivables	17,988,838	14,670,110
Prepayments	927,802	678,253
	<u>18,916,640</u>	<u>15,348,363</u>

- (a) Total receivables are classified as financial assets measured at amortised cost.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group ranged from 30 to 150 days from the date of invoice. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

8. TRADE AND OTHER RECEIVABLES (continued)

- (c) The foreign currency exposure profile of trade and other receivables, excluding prepayments, is as follows:

	31 August 2018 RM	31 August 2017 RM
United States Dollar	584,812	158,041
Singapore Dollar	390,594	456,883
Euro	<u>621,011</u>	<u>10,250</u>

- (d) The Group applied the simplified approach whereby allowance for impairment are measured at lifetime expected credit loss.

Movements in the impairment allowances for trade receivables are as follows:

	Lifetime ECL allowance RM	Specific allowance RM	Total allowance RM
At 1 January 2018	2,298,866	5,185,000	7,483,866
Reversal for the financial year	<u>(445,082)</u>	<u>(70,766)</u>	<u>(515,848)</u>
At 31 August 2018	<u>1,853,784</u>	<u>5,114,234</u>	<u>6,968,018</u>
At 1 January 2017 under MFRS 139	-	4,497,149	4,497,149
Restated through opening retained earnings	<u>2,568,705</u>	<u>1,643,621</u>	<u>4,212,326</u>
At 1 January 2017 in accordance with MFRS 9	2,568,705	6,140,770	8,709,475
Charge/(Reversal) for the financial year	<u>(269,839)</u>	<u>(955,770)</u>	<u>(1,225,609)</u>
At 31 December 2017*	<u>2,298,866</u>	<u>5,185,000</u>	<u>7,483,866</u>

- (e) No expected credit loss is recognised arising from other receivables as it is negligible.

9. CASH AND BANK BALANCES

	31 August 2018 RM	31 August 2017 RM
Cash and bank balances	677,433	1,691,187
Deposits with a licensed bank	<u>1,096,429</u>	<u>1,065,148</u>
	<u><u>1,773,862</u></u>	<u><u>2,756,335</u></u>

- (a) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	31 August 2018 RM	31 August 2017 RM
Cash and bank balances	677,433	1,691,187
Deposits with a licensed bank	<u>1,096,429</u>	<u>1,065,148</u>
As reported in the statements of financial position	1,773,862	2,756,335
Less:		
Deposits pledged to a licensed bank	<u>(1,096,429)</u>	<u>(1,065,148)</u>
As reported in statements of cash flows	<u><u>677,443</u></u>	<u><u>1,691,187</u></u>

- (b) The foreign currency exposure profile of cash and bank balances is as follows:

	31 August 2018 RM	31 August 2017 RM
Euro	449,879	70,018
Singapore Dollar	183,206	22,601
United States Dollar	<u>2,204</u>	<u>7,174</u>

10. SHARE CAPITAL

Issued ordinary shares	31 August 2018		31 August 2017	
	Number of shares	RM	Number of shares	RM
Balance as at 1 January	6,500,000	6,500,000	5,000,000	5,000,000
Issued during the financial year	-	-	1,500,000	1,500,000
Balance as at financial period end	<u>6,500,000</u>	<u>6,500,000</u>	<u>6,500,000</u>	<u>6,500,000</u>

(a) There were no movement in share structure in the financial period end 31st August 2018.

During the financial year ended 31 December 2017, the issued share capital was increased from RM5,000,000 to RM6,500,000 by way of issuance of 1,500,000 new ordinary shares at an issue price of RM1.00 each for cash consideration of RM1,500,000. The newly issued shares rank pari passu in all respects with the existing shares.

(b) The common controlling shareholders are entitled to receive dividends as and when declared by the Group and are entitled to one (1) vote per share at meetings of the Group. All ordinary shares rank pari passu with regard to the residual assets of the Group.

(c) With the introduction of the Companies Act 2016 (“the Act”) effective 31 January 2017, the concepts of authorised share capital and par value of share capital have been removed.

11. BORROWINGS

	Note	31 August 2018 RM	31 August 2017 RM
Non-current liabilities			
Hire purchase creditors	12	812,828	490,433
Term loans	13	8,197,232	5,962,660
		<u>9,010,060</u>	<u>6,453,093</u>
Current liabilities			
Hire purchase creditors	12	756,238	866,090
Term loans	13	3,504,539	3,218,805
Banker’s acceptance		4,401,000	-
		<u>8,661,777</u>	<u>4,084,895</u>
Total borrowings			
Hire purchase creditors	12	1,569,066	1,356,523
Term loans	13	11,701,771	9,181,465
Banker’s acceptance		4,401,000	-
		<u>17,671,837</u>	<u>10,537,988</u>

12. HIRE PURCHASE CREDITORS

	31 August 2018 RM	31 August 2017 RM
Repayable as follows:		
Current liabilities:		
- not later than one (1) year	756,238	866,090
Non-current liabilities:		
- later than one (1) year but not later than five (5) years	<u>812,828</u>	<u>490,433</u>
	<u><u>1,569,066</u></u>	<u><u>1,356,523</u></u>

13. TERM LOANS

	31 August 2018 RM	31 August 2017 RM
Term loan I	-	160,099
Term loan II	3,033,322	4,440,743
Term loan III	1,427,971	2,033,426
Term loan IV	1,983,105	2,547,197
Term loan V	2,714,915	-
Term loan VI	1,590,185	-
Term loan VII	<u>952,273</u>	<u>-</u>
	<u><u>11,701,771</u></u>	<u><u>9,181,465</u></u>

- (a) Term loan I was granted by a licensed bank to the Group for working capital purpose.

Term loan I of the Group is jointly and severally guaranteed by certain Directors of the Group and a corporate guarantee provided by a related party, in which certain Directors have substantial financial interests. The loan has been fully settle on 31st May 2018.

- (b) Term loan II was granted by a licensed bank to the Group to finance the construction of two (2) units of factories located at Mukim Rasa, District of Hulu Selangor, Selangor. Whereby, the term loan is jointly and severally guaranteed by certain Directors of the Group.

- (c) Term loan III was granted by a licensed bank to the Group for working capital purpose.

Term loan III of the Group is jointly and severally guaranteed by Directors of the Group and a corporate guarantee provided by Credit Guarantee Corporation Malaysia Berhad.

- (d) Term loan IV was granted by a licensed bank to the Group for working capital purpose.

- (e) Term loan V was granted by a licensed bank to the Group for working capital purpose.

- (f) Term loan VI was granted by a licensed bank to the Group for working capital purpose.

Term loan VI of the Group is secured by the following:

- (i) corporate guarantee by Credit Guarantee Corporation Malaysia Berhad;
 - (ii) assignment of a Single Premium Reducing Term Plan issued by Sun Life Malaysia Assurance Berhad under the name of Ng Chun Hou; and
 - (iii) jointly and severally guaranteed by certain Directors of the Group.
- (g) Term loan V was granted by a licensed bank to the Group for working capital purpose.

14. TRADE AND OTHER PAYABLES

	31 August 2018 RM	31 August 2017 RM
Trade payables		
Third parties	5,219,801	8,668,333
Amounts owing to related parties	-	-
	5,219,801	8,668,333
Other payables		
Third parties	183,869	238,095
Accruals	802,889	235,593
Amounts owing to related parties	-	-
Total other payables	<u>986,758</u>	<u>473,688</u>
	<u><u>6,206,559</u></u>	<u><u>9,142,021</u></u>

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost, which are classified as financial liabilities measured at fair value through profit or loss.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days from date of tax invoice.
- (c) Non-trade amounts owing to related parties are unsecured, interest-free and payable upon demand in cash and cash equivalents.

14. TRADE AND OTHER PAYABLES (continued)

(d) The foreign currency exposure profile of trade and other payables is as follows:

	31 August 2018 RM	31 August 2017 RM
United States Dollar	626,170	971,368
Euro	437,470	387,490
Singapore Dollar	<u>220,123</u>	<u>318,676</u>

(e) The maturity profile of the trade and other payables of the Group at the end of the reporting period based on contractual undiscounted repayment obligations is repayable on demand or within one (1) year.

15. REVENUE

	Note	31 August 2018 RM	31 August 2017 RM
Revenue from contracts with customers	16	<u>35,784,261</u>	<u>30,414,826</u>

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers is disaggregated in the table below by primary geographical market, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the reportable segments of the Group.

16. OPERATING SEGMENTS

The Group is principally involved in manufacturing and distribution of Fibromat brands of products in Malaysia. The Group has arrived at three (3) reportable operating segments that are organised and managed separately according to the nature of products and services and specific expertise, which requires different business and marketing strategies.

The chief operating decision maker of the Group monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

The operating segments are as summarised as follows:

(a) Design and installation services

Includes design and build services, which engineered to suit a broad spectrum of erosion control and protection application.

(b) Trading

Includes trading and distribution of Erosion Control and Geosynthetic products.

(c) Manufacturing

Includes manufacturing and sales of Erosion Control and Geosynthetic products.

Performance is measured based on segment results, as included in the internal management reports that are reviewed by the Group's chief operating decision maker. Segment results are used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

(d) Operating segments

31 August 2018	Design and installation services RM	Trading RM	Manufacturing RM	Total RM
Segment revenue				
Revenue from external customers	20,364,817	10,958,692	4,460,752	35,784,261

31 August 2017

31 August 2017				
Segment revenue				
Revenue from external customers	13,233,058	8,988,926	8,192,842	30,414,826

(e) Geographical segments

The activities of the Group are mainly carried out in Malaysia and accordingly.

Geographical Area	31 August 2018 RM	31 August 2017 RM
Malaysia	33,547,657	27,831,167
Overseas		
Korea	140,644	261,988
Singapore	1,623,772	1,310,112
India	454,177	942,213
Cambodia	-	-
Mauritius	-	69,346
Others	18,011	-
Subtotal	2,236,604	2,583,659
Total	35,784,261	30,414,826

17. COST OF SALES

	Note	31 August 2018 RM	31 August 2017 RM
Cost of sales	18	<u>27,918,698</u>	<u>23,252,155</u>

18. COST OF SALES BY SEGMENTS

31 August 2018	Design and installation services RM	Trading RM	Manufacturing RM	Total RM
Cost of Sales by Segment				
Revenue from external customers	17,131,440	8,612,237	2,175,021	<u>27,918,698</u>
31 August 2017				
Cost of Sales by Segment				
Segment revenue				
Revenue from external customers	10,736,992	6,256,258	6,258,905	<u>23,252,155</u>

19. FINANCE COSTS

	31 August 2018 RM	31 August 2017 RM
Interest expense on:		
- hire purchase creditors	79,362	98,557
- term loans	<u>722,057</u>	<u>465,130</u>
	801,419	563,687
Bank charges	<u>31,346</u>	<u>5,935</u>
	<u>832,765</u>	<u>569,622</u>

20. EMPLOYEE BENEFITS

	31 August 2018	31 August 2017
	RM	RM
Wages, salaries and bonuses	1,833,117	1,709,093
Contributions to defined contribution plan	221,523	206,636
Other benefits	<u>2,526</u>	<u>-</u>
	<u>2,057,166</u>	<u>1,915,729</u>