APPENDIX I

AUDITORS' REPORTS AND COMBINED FINANCIAL STATEMENTS OF FIBROMAT (M) BERHAD FOR FYE 31 DECEMBER 2017 AND FYE 31 DECEMBER 2016

Company No:
1022133-V

FIBROMAT (M) BERHAD (1022133- V)

(Incorporated in Malaysia)

COMBINED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016

Company No:
1022133-V

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

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The Board of Directors
Fibromat (M) Berhad
No. 574, Jalan Samudra Utara 1,
Taman Samudra,
68100 Batu Caves,
Selangor Darul Ehsan.

Date: 3 January 2019

Dear Sirs

REPORT ON THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS OF FIBROMAT (M) BERHAD

Opinion

We have audited the accompanying combined financial statements of Fibromat (M) Berhad ("the Company") and its wholly-owned subsidiary ("the Group") which comprise the combined statements of financial position as at 31 December 2016 and 31 December 2017 of the Group and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years then ended, and notes to the combined financial statements including a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 59.

These combined financial statements have been prepared for inclusion in the information memorandum of the Company in connection with the proposed listing of and quotation of the entire enlarged issued share capital of the Company on the Leading Entrepreneur Accelerator Platform ("LEAP") Market of Bursa Malaysia Securities Berhad. This report is given for the purpose of complying with the LEAP Market listing requirements issued by Bursa Malaysia Securities Berhad and for no other purpose.

In our opinion, the accompanying combined financial statements give a true and fair view of the financial position of the Group as at 31 December 2016 and 31 December 2017 and of their financial performance and their cash flows for the financial years then ended in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

Basis of Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' *Responsibilities for the Audit of the Combined 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 in accordance with the *By-Laws (On Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics 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.

BDO PLT (LLP0018825-LCA & AF 0206), Chartered Accountants, a Limited Liability Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO PLT (LLP0018825-LCA & AF 0206), was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

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REPORT ON THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS OF FIBROMAT (M) BERHAD (continued)

Responsibilities of the Directors for the Combined Financial Statements

The Directors of Company are responsible for the preparation of the combined financial statements that gives a true and fair view in accordance with the MFRSs and IFRSs. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group 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 ISAs 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 the combined financial statements.

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

(a) Identify and assess the risks of material misstatement of the combined financial statements of the Group, 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 internal control of the Group.

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

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REPORT ON THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS OF FIBROMAT (M) BERHAD (continued)

Auditors' Responsibilities for the Audit of the Combined Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (continued):

(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 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 combined financial statements of the Group 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 to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group 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 combined 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.

Other matters

This report is made solely to the Board of Directors, as a body, for the inclusion in the information memorandum of the Company in connection with the proposed listing of and quotation of the entire enlarged issued share capital of the Company on the LEAP Market of Bursa Malaysia Securities Berhad. We do not assume responsibility to any other person for the content of this report.

BDO PLT.

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Tan Seong Yuh
03314/07/2019 J
Chartered Accountant

Kuala Lumpur
3 January 2019

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

COMBINED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 AND 31 DECEMBER 2016

	Note	2017 RM	2016 RM
ASSETS			
Non-current assets			
Property, plant and equipment	7	21,881,509	20,848,890
Investment property	8	220,647	-
Deferred tax assets	9	282,059	947,455
		22,384,215	21,796,345
Current assets			
Inventories	10	8,951,731	7,013,692
Trade and other receivables	11	20,143,154	15,666,110
Current tax assets		840,152	-
Cash and bank balances	12	5,348,384	3,306,461
		35,283,421	25,986,263
TOTAL ASSETS		57,667,636	47,782,608
EQUITY AND LIABILITIES			
Equity attributable to common controlling shareholders of the combining entities			
Share capital	13	6,500,000	5,000,000
Retained earnings		25,584,998	20,427,868
TOTAL EQUITY		32,084,998	25,427,868
LIABILITIES			
Non-current liabilities			
Borrowings	14	10,185,977	9,515,188
Current liabilities			
Trade and other payables	18	10,787,863	8,908,020
Borrowings	14	4,608,798	3,395,011
Current tax liabilities		-	536,521
		15,396,661	12,839,552
TOTAL LIABILITIES		25,582,638	22,354,740
TOTAL EQUITY AND LIABILITIES		57,667,636	47,782,608

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 YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016

	Note	2017 RM	2016 RM
Revenue	19	48,221,418	44,249,961
Cost of sales	20	(36,602,273)	(30,665,045)
Gross profit		11,619,145	13,584,916
Other income		1,513,520	1,293,095
Administration expenses		(3,314,461)	(4,307,526)
Selling and distribution costs		(2,006,973)	(1,897,877)
Finance costs	21	(806,499)	(820,416)
Profit before tax	22	7,004,732	7,852,192
Tax expense	25	(847,602)	(2,719,699)
Profit for the financial year		6,157,130	5,132,493
Other comprehensive income, net of tax		-	-
Total comprehensive income		6,157,130	5,132,493
Earnings per share attributable to common controlling shareholders of the combining entities:			
Basic and diluted earnings per share (sen)	27	120.66	112.72

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 YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016

	Note	Share capital RM	Distributable Retained earnings RM	Total equity RM
Balance as at 1 January 2016, as previously reported		4,500,000	20,959,980	25,459,980
Adjustments on initial application of MFRS 9	31.2(a)(iii)	-	(3,664,603)	(3,664,603)
Balance as at 1 January 2016, as restated		4,500,000	17,295,377	21,795,377
Profit for the financial year		-	5,132,493	5,132,493
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	5,132,493	5,132,493
Transactions with owners				
Issuance of ordinary shares	13	500,000	-	500,000
Dividends paid	23	-	(2,000,002)	(2,000,002)
Total transactions with owners		500,000	(2,000,002)	(1,500,002)
Balance as at 31 December 2016/ 1 January 2017		5,000,000	20,427,868	25,427,868
Profit for the financial year		-	6,157,130	6,157,130
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	6,157,130	6,157,130
Transactions with owners				
Issuance of ordinary shares	13	1,500,000	-	1,500,000
Dividends paid	23	-	(1,000,000)	(1,000,000)
Total transactions with owners		1,500,000	(1,000,000)	500,000
Balance as at 31 December 2017		6,500,000	25,584,998	32,084,998

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 YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016

	Note	2017 RM	2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		7,004,732	7,852,192
Adjustments for:			
Depreciation of property, plant and equipment	7	1,311,511	955,455
Impairment losses on trade receivables	11(g)	-	334,375
Finance costs	21	780,900	775,228
Interest income		(31,281)	(13,837)
Gain on disposals of property, plant and equipment		-	(149,094)
Inventories written down	10(b)	581,769	483,059
Reversal of impairment losses on trade receivables	11(g)	(1,225,610)	-
Unrealised gain on foreign exchange, net		(35,417)	(14,398)
Operating profit before changes in working capital		8,386,604	10,222,980
Changes in working capital:			
Inventories		(2,519,808)	1,072,138
Trade and other receivables		(3,590,654)	(4,667,160)
Trade and other payables		1,024,401	1,627,182
Cash generated from operations		3,300,543	8,255,140
Tax paid		(1,600,004)	(3,093,371)
Tax refunded		41,125	-
Net cash from operating activities		1,741,664	5,161,769
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances from/(Repayments to) related parties		96,373	(2,734,205)
Repayment to Directors		-	(1,200)
Interest received		31,281	13,837
Purchase of property, plant and equipment	7(a)	(1,566,960)	(1,198,889)
Proceeds from disposals of property, plant and equipment		-	530,000
Placement of deposit pledged to a licensed bank		(31,281)	(905,148)
Net cash used in investing activities		(1,470,587)	(4,295,605)

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 YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016
(continued)

	Note	2017 RM	2016 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	23	-	(2,000,002)
Proceeds from issuance of ordinary shares	13	1,400,000	500,000
Interest paid		(780,900)	(775,228)
Drawdown of term loans		4,000,000	3,000,000
Drawdown of banker's acceptance		577,000	-
Repayments of:			
- hire purchase liabilities		(786,857)	(580,892)
- term loans		(2,682,737)	(1,746,045)
Net cash from/(used in) financing activities		1,726,506	(1,602,167)
Net increase/(decrease) in cash and cash equivalents		1,997,583	(736,003)
Effect of exchange rate changes		13,059	14,398
Cash and cash equivalents at beginning of financial year		2,241,313	2,962,918
Cash and cash equivalents at end of financial year	12(a)	4,251,955	2,241,313

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016

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 of Fibromat has been prepared by the Directors for inclusion in the Information Memorandum of Fibromat in connection with the proposed listing of and quotation for the entire enlarged issued share capital of Fibromat on the Leading Entrepreneur Accelerator Platform ("LEAP Market") of Bursa Securities, and shall not be relied on for any other purposes.

3. BASIS OF PREPARATION (continued)

The combined financial statements are the combination or aggregation of the audited financial information of Fibromat and MTS Fibromat for the past two (2) financial years ended 31 December 2017 and 31 December 2016.

The auditors of the audited financial statements of respective companies for the financial years ended 31 December 2017 and 31 December 2016 were BDO.

The audited financial statements of respective companies for the relevant financial years reported above were not subject to any qualification or modification.

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.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Basis of combination

The combined financial statements incorporate the financial statements of the combining entities. 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 agreements; and

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

Intragroup balances, transactions, income and expenses are eliminated in the combined financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment 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 combining entities are prepared for the same reporting period, using consistent accounting policies. The accounting policies of the combining entities are changed to ensure consistency with the policies adopted by the Group, where necessary.

Non-controlling interests represent equity in the combining entities that are not attributable, directly or indirectly, to the common controlling shareholders, and is presented separately in the combined statement of profit or loss and other comprehensive income and within equity in the combined statement of financial position, separately from equity attributable to the common controlling shareholders. Profit or loss and each component of other comprehensive income are attributed to the common controlling shareholders 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 three 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Basis of combination (continued)

Changes in the common controlling shareholders' 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 consideration paid or received is recognised directly in equity and attributed to common controlling shareholders of the combining entities.

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

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

(b) 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 MFRS 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 combinations

Not under common control

Business combinations not under common control 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 MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Business combinations (continued)

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 MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 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 are 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 the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. 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 previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the combined statement of financial position. In instances where the latter amount exceeds the former, the excess is recognized as a gain on bargain purchase in profit or loss on the acquisition date.

Under common control

Business combinations under common control in the form of equity instrument exchanges are accounted for by applying the merger method of accounting. Assets, liabilities, income and expenses of the merger entities are reflected at their carrying amounts reported in the individual financial statements for the full financial year, irrespective of the date of the merger. Any difference between the consideration paid and the share capital of the merger entity are reflected within equity as merger reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 except for freehold land and properties under construction, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold land has unlimited useful life and is not depreciated. Construction-in-progress represents buildings under extension work or construction and are stated at cost. Construction-in-progress is stated at cost and is not depreciated until such time when the asset is available for use.

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 rates are as follows:

Long term leasehold land	99 years
Buildings	2%
Motor vehicles	20%
Plant and machinery	10%
Furniture and fittings, computer equipment and office equipment	10%
Equipment and tools	10%
Moulds and dies	10%
Renovation	10%
Laboratory equipment	10%

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.8 to the combined 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment and depreciation (continued)

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 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 incremental borrowing rate of the Group 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 the 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 buildings in which the amount that would initially be recognised for the land element is immaterial, the land and buildings 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 buildings is regarded as the economic life of the entire leased asset.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Investment properties

Investment properties are properties which are held to earn rental yields or for capital appreciation or for both and are not occupied by the Group. Investment properties also include properties that are being constructed or developed for future use as investment properties. Investment properties are initially measured at cost, which includes transaction costs.

After initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

4.7 Inventories

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

Cost is determined using the first-in, first-out formula. The cost of raw materials comprises all costs of purchase plus other costs incurred in bringing the inventories to their present location and condition. The cost of finished goods includes the cost of raw materials, direct labour, other direct costs and a proportion of production overheads based on the 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.

4.8 Impairment of non-financial assets

The carrying amounts of assets, except for financial assets, inventories and deferred tax assets, 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.

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.

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 intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to reduce the carrying amount of any 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 for intangible 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments

(a) Financial assets

The Group applied the classification and measurement requirements for financial assets under MFRS 9 *Financial Instruments* effective from 1 January 2016. The changes in the classification and measurement requirements and its impact are disclosed in Note 31.2(a)(iii).

Financial assets are recognised in the statements of financial position when, and only when, the Group become a party to the contractual provisions of the financial instrument. When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at Fair Value Through Profit or Loss ("FVTPL"), directly attributable transaction costs.

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets under MFRS 9 *Financial Instruments* are as below:

(i) Financial assets measured at amortised cost

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(ii) Financial assets measured at fair value

Financial assets that are debt instruments are measured at Fair Value Through Other Comprehensive Income ("FVTOCI") if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income, except impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Financial assets measured at fair value (continued)

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL. The Group does not have any financial assets measured at FVTPL as at 31 December 2017 and 31 December 2016.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives). The Group elects an irrevocable option to designate its equity financial instruments at initial recognition as financial assets measured at FVTOCI if the equity instruments are not held for trading.

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income and are not subsequently transferred to profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

(b) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(i) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This includes derivatives entered into by the Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

(b) Financial liabilities (continued)

(ii) Other financial liabilities

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(c) Equity

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

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs, and are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

4.10 Impairment of financial assets

MFRS 9 *Financial Instruments* requires impairment assessments to be based on an Expected Credit Loss ("ECL") model, replacing the incurred loss model under MFRS 139 *Financial Instruments: Recognition and Measurement.*

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Impairment of financial assets (continued)

Impairment for receivables from related parties are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

4.11 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction 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.

4.12 Income taxes

Income taxes include all taxes on taxable profit. Income taxes also include other taxes, such as real property gains taxes payable on the disposal of properties, if any.

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 the jurisdiction in which the Group operates and include all taxes based upon the taxable profits.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Income taxes (continued)

(b) Deferred tax (continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits 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 profits 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 profits would be available, such reductions would be reversed to the extent of the taxable profits.

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 would 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.

4.13 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. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Provisions (continued)

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

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

4.14 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 would 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 combined 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 of the Group under business combinations not under common control, contingent liabilities assumed are measured initially at their fair at the acquisition date.

4.15 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Employee benefits (continued)

(b) Defined contribution plan

The entities incorporated in Malaysia make contributions to a statutory provident fund. 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.

4.16 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 combined financial statements are presented in Ringgit Malaysia, which is the functional and presentation currency of the combining entities.

(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.

4.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables.

(a) Sale of goods

Revenue from sale of goods is recognised at a point in time when the goods has been transferred to the customer and coincides with the delivery of goods and acceptance by customers.

There is no right of return and warranty provided to the customers on the sale of goods.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Revenue recognition (continued)

(b) Services rendered

Revenue from services rendered is recognised as and when control of the asset is transferred to the customer and it is probable that the Group would collect the consideration to which it will be entitled in exchange for the asset that would be transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the performance of the Group does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Significant judgement is required in determining performance obligations, transaction price allocation and costs in applying the input method to recognise revenue over time.

The Group identifies performance obligations that are distinct and material, which is judgmental in the context of contract. Transaction prices were determined based on estimated margins prior to its allocation to the identified performance obligation. The Group also estimated total contract costs in applying the input method to recognise revenue over time.

(c) Interest income

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

4.18 Operating segments

Operating segments are defined as components of the Group that:

(a) engages 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 particularly in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) for which discrete financial information is available.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Operating segments (continued)

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

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 percent (10%) 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 percent (10%) 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 percent (10%) 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 combined financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the combining entities. 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.

4.19 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 common controlling shareholders of the combining entities 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 common controlling shareholders of the combining entities by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 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 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. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The primary objective of the capital management of the Group is to ensure that the Group would be able to continue as a going concern whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged throughout the reporting period.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes within net debt, loans and borrowings less cash and bank balances. Total capital represents equity attributable to the common controlling shareholders.

	2017 **RM**	**2016** **RM**
Borrowings (Note 14)	14,794,775	12,910,199
Less: Cash and bank balances (Note 12)	(5,348,384)	(3,306,461)
Net debt	9,446,391	9,603,738
Total capital	32,084,998	25,427,868
Gearing ratio	0.29	0.38

The Group is not subject to any externally imposed capital requirements.

(b) Financial risk management

The overall financial risk management objective of the Group is to optimise its shareholders' value and not to engage in speculative transactions.

The Group is exposed mainly to foreign currency risk, interest rate risk, liquidity and cash flow risk 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 of future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Group holds cash and bank balances denominated in foreign currencies for working capital purposes. At the reporting date, cash and bank balances in foreign currency balances amounted to RM322,589 (2016: RM244,634).

5. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(i) Foreign currency risk (continued)

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than functional currency of the operating activities. Transactional currency exposures arise from sales of goods to overseas customers and/or purchases of raw materials from overseas suppliers.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the US Dollar ("USD"), Singapore Dollar ("SGD") and Euro ("EUR") exchange rates against the functional currency of the Group, with all other variables held constant.

Profit after tax		**2017 RM**	**2016 RM**
USD/RM	- strengthen by 3%	-16,627	-7,076
	- weaken by 3%	+16,627	+7,076
SGD/RM	- strengthen by 3%	+8,120	+15,574
	- weaken by 3%	-8,120	-15,574
EUR/RM	- strengthen by 3%	+4,140	+13,478
	- weaken by 3%	-4,140	-13,478

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the financial instruments of the Group would fluctuate because of changes in market interest rates.

The exposure of the Group to interest rate risk arises primarily from deposits as well as borrowings. The Group borrows in the desired currencies at both fixed and floating rates of interest. The objectives for the mix between fixed and floating rate borrowings are to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Note 14 to the combined financial statements.

5. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iii) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its 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 activities of the Group.

The analysis of financial instruments by remaining contractual maturities has been disclosed in Note 14 and Note 18 to the combined financial statements.

(iv) Credit risk

Cash deposits and receivables could give rise to credit risk, which requires the loss to be recognised if a counter party fails to perform as contracted. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit. The credit period is generally for a period of 30 to 150 days (2016: 30 to 90 days). The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

In respect of the deposits, cash and bank balances placed with major financial institutions in Malaysia, the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

The credit risk concentration profile has been disclosed in Note 11 to the combined financial statements.

6. 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 Geosynthethic products.

(c) Manufacturing

Includes manufacturing and sales of Erosion Control and Geosynthethic 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.

<u>Segment assets and liabilities</u>

Segment assets and liabilities information is neither included in the internal management reports nor provided regularly to the Group's chief operating decision maker. Hence, no disclosures are made on segment assets and liabilities.

6. OPERATING SEGMENTS (continued)

(a) Operating segments

31 December 2017	Design and installation services RM	Trading RM	Manufacturing RM	Total RM
Segment revenue				
Revenue from external customers	27,778,504	11,731,872	8,711,042	48,221,418
Segment results	6,091,267	3,121,458	2,406,420	11,619,145
Interest income				31,281
Finance costs				(806,499)
Other expenses				(3,839,195)
Profit before tax				7,004,732
Tax expense				(847,602)
Profit for the financial year				6,157,130
Other segment information				
Depreciation of property, plant and equipment				
- Allocated	-	-	865,462	865,462
- Unallocated				446,049
				1,311,511

6. OPERATING SEGMENTS (continued)

(a) Operating segments (continued)

31 December 2016	Design and installation services RM	Trading RM	Manufacturing RM	Total RM
Segment revenue				
Revenue from external customers	20,008,507	14,724,995	9,516,459	44,249,961
Segment results	5,542,532	3,769,972	4,272,412	13,584,916
Interest income				13,837
Finance costs				(820,416)
Other expenses				(4,926,145)
Profit before tax				7,852,192
Tax expense				(2,719,699)
Profit for the financial year				5,132,493
Other segment information				
Depreciation of property, plant and equipment				
- Allocated	-	-	679,065	679,065
- Unallocated				276,390
				955,455

(b) Geographical segments

The activities of the Group are mainly carried out in Malaysia and accordingly, no segmental reporting by geographical location is presented.

(c) Major customers

Revenue from one major customer (2016: two) amounted to RM5,619,200 (2016: RM11,123,600) represents 11.65% (2016: 25.14%) of the total revenue of the Group.

7. 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 31.12.2017 RM
Freehold land	754,404	-	-	-	754,404
Long term leasehold land	1,987,056	-	-	(20,901)	1,966,155
Buildings	6,193,302	699,024	6,433,103	(260,187)	13,065,242
Motor vehicles	1,105,547	249,987	-	(309,984)	1,045,550
Plant and machinery	3,533,274	1,286,622	(100,202)	(575,211)	4,144,483
Furniture and fittings, computer equipment and office equipment	499,413	89,377	-	(73,656)	515,134
Equipment and tools	151,321	-	-	(27,036)	124,285
Mould and dies	97,165	-	-	(15,348)	81,817
Renovation	94,305	-	-	(15,122)	79,183
Construction-in-progress	6,433,103	-	(6,433,103)	-	-
Laboratory equipment	-	19,120	100,202	(14,066)	105,256
	20,848,890	2,344,130	-	(1,311,511)	21,881,509

	I------------------ At 31.12.2017	------------------I	
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	754,404	-	754,404
Long term leasehold land	2,069,523	(103,368)	1,966,155
Buildings	13,708,399	(643,157)	13,065,242
Motor vehicles	2,320,366	(1,274,816)	1,045,550
Plant and machinery	7,100,162	(2,955,679)	4,144,483
Furniture and fittings, computer equipment and office equipment	856,084	(340,950)	515,134
Equipment and tools	270,359	(146,074)	124,285
Mould and dies	153,480	(71,663)	81,817
Renovation	174,220	(95,037)	79,183
Laboratory equipment	147,037	(41,781)	105,256
	27,554,034	(5,672,525)	21,881,509

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Carrying amount	Balance as at 1.1.2016 RM	Additions RM	Disposals RM	Reclassifications RM	Depreciation charges for the financial year RM	Balance as at 31.12.2016 RM
Freehold land	754,404	-	-	-	-	754,404
Long term leasehold land	2,007,960	-	-	-	(20,904)	1,987,056
Buildings	2,147,971	-	-	4,135,501	(90,170)	6,193,302
Motor vehicles	302,730	1,014,745	-	-	(211,928)	1,105,547
Plant and machinery	3,113,471	1,187,771	(266,706)	-	(501,262)	3,533,274
Furniture and fittings, computer equipment, and office equipment	394,184	168,290	-	-	(63,061)	499,413
Equipment and tools	178,357	-	-	-	(27,036)	151,321
Mould and dies	92,956	19,080	-	-	(14,871)	97,165
Renovation	234,728	-	(114,200)	-	(26,223)	94,305
Construction-in-progress	9,990,486	578,118	-	(4,135,501)	-	6,433,103
	19,217,247	2,968,004	(380,906)	-	(955,455)	20,848,890

7. **PROPERTY, PLANT AND EQUIPMENT (continued)**

	I------------------ At 31.12.2016 ----------------I		
	Cost RM	**Accumulated depreciation RM**	**Carrying amount RM**
Freehold land	754,404	-	754,404
Long term leasehold land	2,069,523	(82,467)	1,987,056
Buildings	6,576,272	(382,970)	6,193,302
Motor vehicles	2,070,379	(964,832)	1,105,547
Plant and machinery	5,941,457	(2,408,183)	3,533,274
Furniture and fittings, computer equipment and office equipment	766,707	(267,294)	499,413
Equipment and tools	270,359	(119,038)	151,321
Mould and dies	153,480	(56,315)	97,165
Renovation	174,220	(79,915)	94,305
Construction-in-progress	6,433,103	-	6,433,103
	25,209,904	(4,361,014)	20,848,890

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

	2017 RM	**2016 RM**
Purchase of property, plant and equipment	2,344,130	2,968,004
Financed by hire-purchase arrangements	(777,170)	(1,769,115)
Cash payments on purchase of property, plant and equipment	1,566,960	1,198,889

(b) The carrying amount of the Group's property, plant and equipment under finance leases at the end of each reporting period are as follows:

	2017 RM	**2016 RM**
Motor vehicles	985,521	1,029,956
Plant and machinery	1,822,369	1,807,647
	2,807,890	2,837,603

(c) At the end of each reporting period, leasehold land, buildings and construction-in-progress with a carrying amount of RM12,981,056 (2016: RM12,514,305) have been pledged to a licensed bank for credit facilities granted to the Group as disclosed in Note 14 to the combined financial statements.

8. INVESTMENT PROPERTY

	Investment property under construction 2017 RM	2016 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.

9. DEFERRED TAX (ASSETS)/LIABILITIES

(a) The amounts of the deferred tax income or expense recognised in the combined statements of profit of loss are as follows:

	2017 RM	2016 RM
Balance as at 1 January	(947,455)	(429,215)
Effects of first time adoption of MFRS 9	-	(913,068)
Recognised in profit or loss (Note 25)		
- current year	534,560	409,668
- under/(over) provision in prior years	130,836	(14,840)
	665,396	394,828
Balance as at 31 December	(282,059)	(947,455)
Presented after appropriate offsetting:		
Deferred tax assets	(1,244,400)	(1,473,785)
Deferred tax liabilities	962,341	526,330
	(282,059)	(947,455)

(b) Components of deferred tax assets and liabilities at the end of each reporting period comprise the tax effects of:

Deferred tax assets	Allowances RM
At 1 January 2017	(1,473,785)
Recognised in profit or loss	229,385
At 31 December 2017, prior to offsetting	(1,244,400)
Offsetting	962,341
At 31 December 2017	(282,059)

9. DEFERRED TAX (ASSETS)/LIABILITIES (continued)

(b) Components of deferred tax assets and liabilities at the end of each reporting period comprise the tax effects of (continued):

Deferred tax assets	Allowances RM
At 1 January 2016	(1,824,451)
Recognised in profit or loss	350,666
At 31 December 2016, prior to offsetting	(1,473,785)
Offsetting	526,330
At 31 December 2016	(947,455)

Deferred tax liabilities	Property, plant and equipment RM	Others RM	Total RM
At 1 January 2017	526,330	-	526,330
Recognised in profit or loss	427,511	8,500	436,011
At 31 December 2017, prior to offsetting	953,841	8,500	962,341
Offsetting			(962,341)
At 31 December 2017			-
At 1 January 2016	482,168	-	482,168
Recognised in profit or loss	44,162	-	44,162
At 31 December 2016, prior to offsetting	526,330	-	526,330
Offsetting			(526,330)
At 31 December 2016			-

10. INVENTORIES

At cost	2017 RM	2016 RM
Raw materials	3,740,399	4,627,966
Work-in-progress	547,264	-
Finished goods	4,664,068	2,385,726
	8,951,731	7,013,692

(a) During the financial years, inventories of the Group recognised as cost of sales amounted to RM17,873,032 (2016: RM15,547,040).

(b) Inventories written down during the financial years amounted to RM581,769 (2016: RM483,059) and are included in cost of sales.

11. TRADE AND OTHER RECEIVABLES

	2017 RM	2016 RM
Trade receivables		
Third parties	24,950,502	22,468,443
Amounts owing by related parties	47,306	48,691
	24,997,808	22,517,134
Less: Impairment losses	(7,483,866)	(8,709,476)
Total trade receivables	17,513,942	13,807,658
Other receivables		
Third parties	1,592,616	806,116
Amounts owing by related parties	20,735	135,871
Amount owing by a Director	100,000	-
Deposits	36,452	216,730
Total other receivables	1,749,803	1,158,717
Loans and receivables	19,263,745	14,966,375
Prepayments	879,409	699,735
	20,143,154	15,666,110

(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 (2016: 30 to 90 days) from the date of invoice. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

11. TRADE AND OTHER RECEIVABLES

(c) Non-trade amounts owing by related parties represent advances and payments on behalf, which are unsecured, interest free and payable upon demand in cash and cash equivalents, which were subsequently settled by a related party after the end of the reporting period.

(d) Amount owing by a Director as of 31 December 2017 represents amount receivable from the issuance of ordinary shares of the Group, as disclosed in Note 13 to the combined financial statements, which was subsequently settled by the Director after the end of the reporting period.

(e) Prepayments include an amount of RM210,377 (2016: RM568,320) for the purchase of machineries and motor vehicles.

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

	2017 RM	**2016 RM**
United States Dollar	285,123	158,041
Singapore Dollar	343,398	456,883
Euro	-	10,250

(g) 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 2017	2,568,706	6,140,770	8,709,476
Reversal for the financial year	(269,840)	(955,770)	(1,225,610)
At 31 December 2017	2,298,866	5,185,000	7,483,866
At 1 January 2016 under MFRS 139	-	3,797,430	3,797,430
Restated through opening retained earnings	773,220	3,804,451	4,577,671
At 1 January 2016 in accordance with MFRS 9	773,220	7,601,881	8,375,101
Charge/(Reversal) for the financial year	1,795,486	(1,461,111)	334,375
At 31 December 2016	2,568,706	6,140,770	8,709,476

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

12. CASH AND BANK BALANCES

	2017 RM	2016 RM
Cash and bank balances	4,251,955	2,241,313
Deposits with a licensed bank	1,096,429	1,065,148
	5,348,384	3,306,461

(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:

	2017 RM	2016 RM
Cash and bank balances	4,251,955	2,241,313
Deposits with a licensed bank	1,096,429	1,065,148
As reported in the statements of financial position	5,348,384	3,306,461
Less:		
Deposits pledged to a licensed bank	(1,096,429)	(1,065,148)
As reported in statements of cash flows	4,251,955	2,241,313

(b) Deposits placed with a licensed bank of the Group with carrying amount of RM1,096,429 (2016: RM1,065,148) are subject to fixed weighted average interest rate of 2.94% (2016: 2.94%) and have a maturity period of 365 days (2016: 365 days).

(c) The deposits with a licensed bank has been pledged as security for term loan granted to the Group as disclosed in Note 16 to the combined financial statements.

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

	2017 RM	2016 RM
Euro	266,293	12,552
Singapore Dollar	12,734	226,167
United States Dollar	43,562	5,915

13. SHARE CAPITAL

Issued ordinary shares	2017 Number of shares	2017 RM	2016 Number of shares	2016 RM
Balance as at 1 January	5,000,000	5,000,000	4,500,000	4,500,000
Issued during the financial year	1,500,000	1,500,000	500,000	500,000
Balance as at 31 December	6,500,000	6,500,000	5,000,000	5,000,000

(a) 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, out of which, RM100,000 was remained unsettled as of 31 December 2017, as disclosed in Note 11 to the combined financial statements.

During the financial year ended 31 December 2016, the issued share capital was increased from RM4,500,000 to RM5,000,000 by way of issuance of 500,000 new ordinary shares at an issue price of RM1.00 each for cash consideration of RM500,000.

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.

14. BORROWINGS

	Note	2017 RM	2016 RM
Non-current liabilities			
Hire purchase creditors	15	1,211,457	1,228,674
Term loans	16	8,974,520	8,286,514
		10,185,977	9,515,188
Current liabilities			
Hire purchase creditors	15	758,409	750,879
Term loans	16	3,273,389	2,644,132
Banker's acceptance	17	577,000	-
		4,608,798	3,395,011
Total borrowings			
Hire purchase creditors	15	1,969,866	1,979,553
Term loans	16	12,247,909	10,930,646
Banker's acceptance	17	577,000	-
		14,794,775	12,910,199

14. BORROWINGS (continued)

(a) For the purpose of the statements of cash flows, the reconciliation of liabilities arising from financing activities as follows:

	Hire purchase RM	Term loans RM	Banker's acceptance RM
At 1 January 2017	1,979,553	10,930,646	-
Cash flows	(786,857)	1,317,263	577,000
Non-cash flows:			
- Acquisition of property, plant and equipment	777,170	-	-
At 31 December 2017	1,969,866	12,247,909	577,000
At 1 January 2016	791,330	9,676,691	-
Cash flows	(580,892)	1,253,955	-
Non-cash flows:			
- Acquisition of property, plant and equipment	1,769,115	-	-
At 31 December 2016	1,979,553	10,930,646	-

(b) The borrowings are repayable over the following periods:

2017	Carrying amount RM	Within 1 year RM	1-2 years RM	2-5 years RM	Over 5 years RM
Hire purchase creditors	1,969,866	758,409	527,050	684,407	-
Term loans	12,247,909	3,273,389	3,348,743	5,247,116	378,661
Banker's acceptance	577,000	577,000	-	-	-
	14,794,775	4,608,798	3,875,793	5,931,523	378,661

2016	Carrying amount RM	Within 1 year RM	1-2 years RM	2-5 years RM
Hire purchase creditors	1,979,553	750,879	620,632	608,042
Term loans	10,930,646	2,644,132	2,667,415	5,619,099
	12,910,199	3,395,011	3,288,047	6,227,141

14. BORROWINGS (continued)

(c) The interest rate profile of the borrowings are as follows:

	2017 RM	2016 RM
Fixed rate borrowings		
Hire purchase creditors	1,969,866	1,979,553
Term loans	98,010	276,437
	2,067,876	2,255,990
Floating rate borrowings		
Term loans	12,149,899	10,654,209
Banker's acceptance	577,000	-
	12,726,899	10,654,209

(d) The weighted average effective interest rates of the borrowings as at the end of each reporting period are as follows:

	2017	2016
Hire purchase creditors	5.56%	5.76%
Term loans	8.69%	8.98%
Banker's acceptance	3.84%	-

(e) The following table demonstrates the sensitivity analysis of the profit after tax of the Group to a reasonable possible change in 100 basis points against interest rates, with all other variables held constant:

Profit after tax	2017 RM	2016 RM
- 100 basis points higher	-96,724	-80,972
- 100 basis points lower	+96,724	+80,972

(f) Borrowings that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values, are as follows:

	2017		2016	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Fixed rate borrowings				
Hire purchase creditors	1,969,866	2,017,783	1,979,553	2,097,094
Term loans	98,010	86,788	276,437	247,805
	2,067,876	2,104,571	2,255,990	2,344,899

14. BORROWINGS (continued)

(g) The carrying amounts of term loans are reasonable approximations of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of each reporting period.

The fair values of fixed rate term loans and hire purchase creditors are estimated by discounting expected future cash flows at incremental market lending rate for similar type of lending, borrowings or leasing arrangements at the end of each reporting period.

The fair values of borrowings are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy throughout the relevant financial year.

(h) The table below summarises the maturity profile of the borrowings at the end of each reporting period based on contractual undiscounted repayment obligations:

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
As at 31 December 2017	5,698,002	11,007,731	418,298	17,124,031
As at 31 December 2016	4,775,205	11,240,632	-	16,015,837

15. HIRE PURCHASE CREDITORS

	2017 RM	2016 RM
Minimum hire purchase payments:		
- not later than one (1) year	856,597	849,180
- later than one (1) year but not later than five (5) years	1,313,962	1,312,896
Total minimum hire purchase payments	2,170,559	2,162,076
Less: Future interest charges	(200,693)	(182,523)
Present value of hire purchase payments	1,969,866	1,979,553
Repayable as follows:		
Current liabilities:		
- not later than one (1) year	758,409	750,879
Non-current liabilities:		
- later than one (1) year but not later than five (5) years	1,211,457	1,228,674
	1,969,866	1,979,553

16. TERM LOANS

	2017 RM	2016 RM
Term loan I	98,010	276,437
Term loan II	3,966,658	5,366,662
Term loan III	1,825,070	2,406,711
Term loan IV	2,358,171	2,880,836
Term loan V	3,000,000	-
Term loan VI	1,000,000	-
	12,247,909	10,930,646

(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.

(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.

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

(i) assignment over leasehold land and buildings of the Group as disclosed in Note 7 to the combined financial statements;

(ii) deposit with a licensed bank as disclosed in Note 12 to the combined financial statement; and

In addition, term loan II 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.

Term loan IV of the Group is secured by the deposit with a licensed bank as disclosed in Note 12 to the combined financial statements and jointly and severally guaranteed by Directors of the Group.

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

Term loan V of the Group is secured by an assignment over leasehold land and buildings of the Group as disclosed in Note 7 to the combined financial statements.

In addition, term loan V is jointly and severally guaranteed by certain Directors of the Group.

16. TERM LOANS (continued)

(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.

17. BANKER'S ACCEPTANCE

Banker's acceptance was granted by a licensed bank to the Group for working capital purpose.

Banker's acceptance of the Group is secured by assignment over leasehold land and buildings of the Group disclosed in Note 7 to the combined financial statements.

In addition, banker's acceptance is jointly and severally guaranteed by certain Directors of the Group.

18. TRADE AND OTHER PAYABLES

	2017 RM	2016 RM
Trade payables		
Third parties	6,591,971	7,710,602
Amounts owing to related parties	11,905	-
	6,603,876	7,710,602
Other payables		
Third parties	2,133,225	718,067
Accruals	1,865,663	272,052
Amounts owing to related parties	185,099	207,299
Total other payables	4,183,987	1,197,418
	10,787,863	8,908,020

(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 (2016: 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.

18. TRADE AND OTHER PAYABLES (continued)

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

	2017 RM	2016 RM
United States Dollar	1,057,934	474,319
Euro	84,730	-

(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.

19. REVENUE

	2017 RM	2016 RM
Revenue from contracts with customers	48,221,418	44,249,961

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.

	2017 RM	2016 RM
Major product and service line		
Sales of products	20,441,722	24,241,453
Services rendered	27,779,696	20,008,508
	48,221,418	44,249,961
Timing of revenue recognition		
Transferred over time	20,441,722	24,241,453
Transferred at a point in time	27,779,696	20,008,508
Revenue from external customers	48,221,418	44,249,961

20. COST OF SALES

	2017 RM	2016 RM
Direct overhead	12,951,360	17,896,593
Manufacturing costs	23,650,913	12,768,452
	36,602,273	30,665,045

21. FINANCE COSTS

	2017 RM	2016 RM
Interest expense on:		
- hire purchase creditors	112,323	94,782
- term loans	668,577	680,446
	780,900	775,228
Bank charges	25,599	45,188
	806,499	820,416

22. PROFIT BEFORE TAX

	2017 RM	2016 RM
Profit before tax is arrived at after charging:		
Auditors' remuneration	46,500	46,500
Directors' remuneration - emoluments other than fees	640,699	496,287
and crediting:		
Bad debts recovered	122,500	44,868
Interest income from deposits held with a licensed bank	31,281	13,837
Gain on disposal of property, plant and equipment	-	149,094
Unrealised gain on foreign exchange, net	35,417	14,398

The estimated value of benefits-in-kind provided to the Directors of the Group during the financial years amounted to RM37,900 (2016 : RM26,806).

23. DIVIDENDS

	2017		2016	
	Dividend per share sen	**Amount of dividend RM**	**Dividend per share sen**	**Amount of dividend RM**
First interim single tier dividend for the financial year ended 31 December 2016, paid on 16 May 2016	-	-	44.44	2,000,002
First interim single tier dividend for the financial year ended 31 December 2017, paid on 30 April 2018	15.38	1,000,000	-	-

24. EMPLOYEE BENEFITS

	2017 RM	2016 RM
Wages, salaries and bonuses	3,566,934	3,022,074
Contributions to defined contribution plan	353,287	268,701
Other benefits	135,008	83,223
	4,055,229	3,373,998

Included in the employee benefits of the Group are Executive Directors' remuneration as disclosed in Note 22 to the combined financial statements.

25. TAX EXPENSE

	2017 RM	2016 RM
Current tax expense based on profit for the financial years	763,228	2,543,583
Over provision in prior years	(581,022)	(218,712)
	182,206	2,324,871
Deferred tax (Note 9)		
- Relating to origination and reversal of temporary differences	534,560	409,668
- Under/(Over) provision in prior years	130,836	(14,840)
	665,396	394,828
	847,602	2,719,699

(a) Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated taxable profit for the fiscal years.

25. TAX EXPENSE (continued)

(b) The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate of the Group is as follows:

	2017 RM	2016 RM
Profit before tax	7,004,732	7,852,192
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	1,681,136	1,884,527
Tax effects in respect of:		
- non-allowable expenses	401,710	1,068,724
- tax incentive	(785,058)	-
	1,297,788	2,953,251
(Over)/Under provision in prior years		
- income tax	(581,022)	(218,712)
- deferred tax	130,836	(14,840)
	847,602	2,719,699

26. COMMITMENTS

(a) Capital commitments

	2017 RM	2016 RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	424,988	-

(b) Operating lease commitments

The Group as a lessee

The Group had entered into non-cancellable lease agreements for office and factory premises, resulting in future rental commitments. The lease terms do not contain restrictions on the Group's activities concerning dividend or additional debt.

The Group has aggregate future minimum lease commitment as at the end of the reporting period as follows:

	2017 RM	2016 RM
Not later than one (1) year	21,120	27,360
Later than one (1) year and not later than five (5) years	3,500	24,620
	24,620	51,980

27. EARNINGS PER SHARE

(a) Basic

Basic earnings per ordinary share for the financial years is calculated by dividing the combined profit for the financial years attributable to common controlling shareholders of the Group by the weighted average number of ordinary shares outstanding during the financial years.

	2017	2016
Profit for the financial year attributable to controlling shareholders for the combining entities (RM)	6,157,130	5,132,493
Weighted average number of ordinary shares in issue	5,102,739	4,553,424
Basic earnings per share (sen)	120.66	112.72

(b) Diluted

Diluted earnings per share equals to basic earnings per share because there are no potentially dilutive instruments in existence as at the end of each reporting period.

28. RELATED PARTIES DISCLOSURES

(a) Identity 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 could be individuals or other entities.

Related parties of the Group include:

Name of related parties	**Relationship**
(i) Linetech (M) Sdn. Bhd.	Company in which certain Directors have substantial financial interests.
(ii) Catonic (M) Sdn. Bhd.	Company in which certain Directors have substantial financial interests.
(iii) MTS Fibromat Resources Sdn. Bhd.	Company in which a Director have substantial financial interests.

28. RELATED PARTIES DISCLOSURES (continued)

(b) In addition to the transactions and balances detailed elsewhere in the combined financial statements, the Group had the following transactions with the related parties during the financial years:

	2017 RM	2016 RM
Related parties:		
Sales	-	39,920
Purchases	99,870	115,842
Rental paid and payable	72,000	72,000
Administrative fees received	4,452	2,800

The related party transactions described above were carried out on terms and conditions not materially different from those obtainable from transactions with unrelated parties.

Information regarding outstanding balances arising from related party transactions as at 31 December 2017 and 31 December 2016 is disclosed in Note 11 and Note 18 to the combined financial statements.

(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 or indirectly, including any Directors (whether executive or otherwise) of the Group.

The remuneration of Directors and other key management personnel during the financial years was as follows:

	2017 RM	2016 RM
Short term employees benefits	1,125,003	839,288
Contributions to defined contribution plan	126,997	97,606
	1,252,000	936,894

29. COMPANIES ACT 2016

Companies Act 2016 was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016 to replace the Companies Act, 1965. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism has appointed 31 January 2017 as the date on which the Companies Act 2016 came into operation except Section 241 and Division 8 of Part III of the Companies Act 2016.

Consequently, the Company effected the following changes as at 31 January 2017:

(a) Authorised share capital has been removed; and
(b) Par or nominal value of ordinary shares have been removed.

30. SIGNIFICANT EVENT DURING THE REPORTING PERIOD

On 18 August 2017, the Group had entered into a Sales and Purchase Agreement with Linetech (M) Sdn. Bhd., a related party, to acquire a piece of land together with a three and a half storey shop office at Taman Samudra, 68100 Batu Caves, Selangor Darul Ehsan for a total consideration of RM2,000,000.

The purchase was completed on 23 April 2018.

31. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

31.1 New MFRSs adopted during the financial year

The Group adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial years:

Title	Effective Date
Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to MFRS 107 *Disclosure Initiative*	1 January 2017
Amendments to MFRS 12 *Annual Improvements to MFRS 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.

31.2 Early adoption of MFRSs effective for annual periods beginning on or after 1 January 2018

Title	Effective Date
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

The Group has elected to early adopt MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial Instruments*, which are mandatory for the financial periods beginning on or after 1 January 2018. The impacts of adoption of these Standards on the Group's combined financial statements are as follows:

(a) MFRS 9 *Financial Instruments*

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

31. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

31.2 Early adoption of MFRSs effective for annual periods beginning on or after 1 January 2018 (continued)

(a) MFRS 9 *Financial Instruments* (continued)

The Group applied MFRS 9 prospectively, with an initial application date of 1 January 2016. Differences arising from the adoption of MFRS 9 have been recognised directly in retained earnings and other components of equity.

(i) Classification of financial assets and financial liabilities

The Group classifies their financial assets into the following measurement categories depending on the business model of the Group for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

The following summarises the key changes:

- The Available-For-Sale (AFS), Held-To-Maturity (HTM) and Loans and Receivables (L&R) financial asset categories were removed.
- A new financial asset category measured at Amortised Cost (AC) was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.
- A new financial asset category measured at Fair Value Through Other Comprehensive Income (FVTOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- The remaining amount of change in the fair value is presented in profit or loss.

31. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

31.2 Early adoption of MFRSs effective for annual periods beginning on or after 1 January 2018 (continued)

(a) MFRS 9 *Financial Instruments* (continued)

(ii) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Group by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Group to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

Impairment for receivables from related parties are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

31. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

31.2 Early adoption of MFRSs effective for annual periods beginning on or after 1 January 2018 (continued)

(a) MFRS 9 *Financial Instruments* (continued)

(iii) Classification and measurement

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Group as at 1 January 2016:

	Classification		**Carrying amount**	
	Existing under MFRS 139	**New under MFRS 9**	**Existing under MFRS 139 RM**	**New under MFRS 9 RM**
Financial assets				
Trade and other receivables	L&R	AC	15,303,536	10,725,865
Cash and bank balances	L&R	AC	3,122,918	3,122,918
Financial liabilities				
Trade and other payables	OFL	AC	9,408,783	9,408,783
Borrowings	OFL	AC	10,468,021	10,468,021

The following table are reconciliations of the carrying amount of the statement of financial position of the Group from MFRS 139 to MFRS 9 as at 1 January 2016:

	Existing under MFRS 139			**New under MFRS 9**
	Carrying amount as at 31 December 2015 RM	**Reclassifi-cation RM**	**Remeasure-ment RM**	**Carrying amount as at 1 January 2016 RM**
Trade and other receivables:				
Opening balance	15,303,536	-	-	15,303,536
Increase in impairment loss	-	-	(4,577,671)	(4,577,671)
Total trade and other receivables	15,303,536	-	(4,577,671)	10,725,865
Retained earnings:				
Opening balance	20,959,980	-	-	20,959,980
Increase in impairment loss for trade and other receivables			(4,577,671)	(4,577,671)
Deferred tax	-	-	913,068	913,068
Total retained earnings	20,959,980	-	(3,664,603)	17,295,377

31. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

31.2 Early adoption of MFRSs effective for annual periods beginning on or after 1 January 2018 (continued)

(b) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a comprehensive framework for revenue recognition and measurement. It replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts*, and related Interpretations. Under MFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires significant judgement.

The Group adopted MFRS 15 using the modified retrospective method (without practical expedients), with the effect of initially applying this Standard at the date of initial application of 1 January 2016. The cumulative effect of initially applying MFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings.

The adoption of this Standard results in changes in accounting policies for revenue recognition, and has no material financial impact other than the disclosures made in the Group's combined financial statements.

(c) Certain comparative figures of the Group have been restated due to early adoption of MFRS 9. The following reconciliations provide the impact upon adoption of MFRS 9 on the financial position of the Group.

Reconciliation of financial position and equity

1 January 2016	**Previously stated RM**	**Effects of MFRS 9 RM**	**Restated RM**
Non-current assets			
Property, plant and equipment	19,217,247	-	19,217,247
Deferred tax assets	429,215	913,068	1,342,283
	19,646,462	913,068	20,559,530
Current assets			
Inventories	8,568,889	-	8,568,889
Trade and other receivables	15,303,536	(4,577,671)	10,725,865
Cash and bank balances	3,122,918	-	3,122,918
	26,995,343	(4,577,671)	22,417,672
Total assets	46,641,805	(3,664,603)	42,977,202
Equity			
Share capital	4,500,000	-	4,500,000
Retained earnings	20,959,980	(3,664,603)	17,295,377
Total equity	25,459,980	(3,664,603)	21,795,377

31. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

31.2 Early adoption of MFRSs effective for annual periods beginning on or after 1 January 2018 (continued)

(c) (continued)

Reconciliation of financial position and equity (continued)

1 January 2016	**Previously stated RM**	**Effects of MFRS 9 RM**	**Restated RM**
Non-current liabilities			
Borrowings	7,948,620	-	7,948,620
Current liabilities			
Trade and other payables	9,408,783	-	9,408,783
Borrowings	2,519,401	-	2,519,401
Current tax liabilities	1,305,021	-	1,305,021
	13,233,205	-	13,233,205
Total liabilities	21,181,825	-	21,181,825
Total equity and liabilities	46,641,805	(3,664,603)	42,977,202

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

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group:

Title	**Effective Date**
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	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

31. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

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

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group (continued):

Title	**Effective Date**
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 - 2018 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements* to *MFRS Standards 2015 - 2018 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual* Improvements *to MFRS Standards 2015 - 2018 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual* Improvements *to MFRS Standards 2015 - 2018 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
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 is in the process of assessing the impact of implementing these Standards since the effects would only be observable for the future financial years.

FIBROMAT (M) BERHAD (1022133 - V)

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the combined financial statements set out on pages 4 to 59 have been drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at 31 December 2017 and 31 December 2016 and of their financial performance and cash flows of the Group for the financial year then ended.

On behalf of the Board,

....	....
Ng Kian Boon	**Wong Teck Ching**
Director	Director

Kuala Lumpur
3 January 2019