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FIBROMAT (M) BERHAD (1022133-V)

INFORMATION MEMORANDUM

INFORMATION MEMORANDUM

FOR RESTRICTED CIRCULATION ONLY



FIBROMAT (M) BERHAD
 (Company No. 1022133-V)
 (Incorporated In Malaysia under the Companies Act 1965 and deemed registered under the Companies Act 2016)

**PROPOSED PLACEMENT OF 21,600,000 ORDINARY SHARES IN FIBROMAT (M) BERHAD AT AN
 ISSUE PRICE OF RM 0.29 PER SHARE IN CONJUNCTION WITH OUR PROPOSED LISTING ON THE
 LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD**

APPROVED ADVISER, PLACEMENT AGENT AND CONTINUING ADVISER



This Information Memorandum is dated 12 April 2019



IMPORTANT INFORMATION

IMPORTANT NOTICE

All defined terms used in this Information Memorandum are defined under “Definitions” and “Glossary of Technical Terms”.

RESPONSIBILITY STATEMENTS

The Board and Promoters of our Company have seen and approved this Information Memorandum. They collectively and individually accept full responsibility for the accuracy of all the information and statements contained in this Information Memorandum. Having made all reasonable enquiries, and to the best of their knowledge, information and belief, they confirm that there are no false or misleading statements or other material facts, which, if omitted, would make any statement in this Information Memorandum false or misleading.

DWA Advisory, being the Approved Adviser, Placement Agent and Continuing Adviser to our Proposed Listing acknowledges that, based on all available information, and to the best of its knowledge, this Information Memorandum constitutes a full and true disclosure of all material facts concerning the Proposed Listing and the Proposed Placement.

STATEMENTS OF DISCLAIMER

This Information Memorandum has been drawn up in accordance with the LEAP Market Listing Requirements for the Proposed Listing and the Proposed Placement, and is not a prospectus and has not been registered, nor will it be registered as a prospectus under the CMSA. The Proposed Placement constitutes an excluded issue within the meanings of Section 230 of CMSA. This Information Memorandum has been prepared in the context of securities offering under the laws of Malaysia. It does not comply with the laws of any jurisdiction other than Malaysia, and has not and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority of any jurisdiction other than Malaysia.

This Information Memorandum has been deposited with the SC.

The SC and Bursa Securities take no responsibility for the contents of this Information Memorandum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Information Memorandum. The SC and Bursa Securities do not make any assessment on the suitability, viability or prospects of our Group. Sophisticated Investors are expected to make their own assessment on our Group or seek appropriate advice before making their investment decisions. The Approved Adviser has assessed the suitability of our Company for admission to the LEAP Market as per the LEAP Market Listing Requirements.

An application has been made to Bursa Securities for the admission of our Company and the listing of and quotation for the entire ordinary share capital of our Company on the LEAP Market. No monies shall be collected from Sophisticated Investors for the subscription of the Placement Shares, and no new Shares shall be allotted pursuant to the Proposed Placement until Bursa Securities has granted its approval for the admission of our Company to the LEAP Market. Approval from Bursa Securities of the same is not an indication of the merits of our Proposed Listing, Proposed Placement, our Company or our Shares. This Information Memorandum can be viewed or downloaded from Bursa Securities’ website at www.bursamalaysia.com.

IMPORTANT INFORMATION

THE LEAP MARKET HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON BURSA SECURITIES. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY THE LISTED CORPORATION. SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER DUE AND CAREFUL CONSIDERATIONS AND, IF APPROPRIATE, CONSULTATION WITH STOCKBROKER, MANAGER, SOLICITOR, ACCOUNTANT AND OTHER PROFESSIONAL ADVISERS.

THERE ARE CERTAIN RISK FACTORS WHICH SOPHISTICATED INVESTORS SHOULD CONSIDER. PLEASE REFER TO “RISK FACTORS” AS SET OUT IN SECTION 7 OF THIS INFORMATION MEMORANDUM.

Sophisticated Investors should note that they may seek recourse under Sections 248, 249 and 357 of the CMSA for breaches of securities laws and regulations including any statement in the Information Memorandum that is false, misleading, or from which there is a material omission, or for any misleading or deceptive act in relation to the Information Memorandum. This Information Memorandum or any document delivered under or in relation to the issue, offer and sale of our Shares is not and should not be construed as a recommendation by us and/or the Approved Adviser to subscribe for or purchase our Shares.

This Information Memorandum is not a substitute for and should not be regarded as an independent evaluation and analysis and does not purport to be all-inclusive. Each Sophisticated Investor should perform and is deemed to have made its own independent investigation, assess the merits and risks of the investment and analysis of our Company and all other relevant matters.

THIS INFORMATION MEMORANDUM IS INTENDED FOR CIRCULATION ONLY TO PERSONS WHOM AN INVITATION TO SUBSCRIBE FOR OR PURCHASE SECURITIES OR AN ISSUE OF SECURITIES WOULD CONSTITUTE AN EXCLUDED ISSUE WITHIN THE MEANING OF SECTION 230 OF THE CMSA.

THIS INFORMATION MEMORANDUM, IF FURNISHED TO YOU, IS STRICTLY FOR YOUR OWN USE AND IS NOT TO BE CIRCULATED TO ANY OTHER PARTY. INFORMATION IN THIS DOCUMENT IS SUBJECT TO CHANGE FROM TIME TO TIME AS WE AND/OR DWA ADVISORY SHALL DEEM FIT.

MODE OF COMMUNICATION

In accordance with our Constitution, we may send notices and documents to our securities holders (“**Holders**”) by electronic means to the Holders’ registered email address last maintained with either our Company Secretaries or Bursa Malaysia Depository Sdn Bhd (“**Bursa Depository**”), as the case may be. Our Holders have a right to request for a hard copy of such notices and documents should they wish to do so. In such event, we will forward a hard copy of the notices and documents to the Holders, as soon as reasonably practicable after the receipt of the request, free of charge by ordinary mail to the Holders’ registered Malaysian address last maintained with either our Company Secretaries or Bursa Depository, as the case may be, at their own risk.

We may also publish notices and documents on our website as a form of electronic communication with our Holders. In such event, we will separately and immediately notify our Holders through the following by way of:

- ordinary mail;
- electronic means to the Holders’ registered email address;
- advertisements in an English daily newspaper in Malaysia; and/or
- announcements on Bursa Securities.

DEFINITIONS

Except where the context otherwise requires or where otherwise defined herein, the following words and abbreviations shall apply throughout this Information Memorandum and shall have the meanings as set out below:

3D	:	Three-dimensional
Act	:	Companies Act, 2016 as amended from time to time including any re-enactment thereof
Acquisition of MTS Fibromat	:	Acquisition of 6,500,000 ordinary shares of MTS Fibromat for a purchase consideration of RM38,435,997 satisfied via the issuance of 194,399,985 Shares to the Vendors at an issue price of approximately RM0.20 each, which was completed on 11 April 2019
AIFTA	:	ASEAN & India Free Trade Agreement Scheme
ASEAN	:	Association of Southeast Asian Nation
Australasia IECA	:	Australasia International Erosion Control Association
Batu Caves Property	:	All that piece of leasehold land held under Pajakan Mukim 2991, Lot 55252, Mukim Selayang, Daerah Gombak, Selangor measuring approximately 1,539 sq ft with a three and a half (3 ½) storey shop-lot with the postal address of No 574, Jalan Samudra Utara 1, Taman Samudra, 68100 Batu Caves, Selangor as our headquarters
Board	:	Board of directors of Fibromat
Bukit Beruntung Property	:	All that piece of freehold land held under GRN 332739, Lot 11528 Seksyen 20, Mukim Serendah, Daerah Ulu Selangor, Selangor measuring approximately 61,451 sq ft with a single (1) storey factory with two (2) storey office with built-up area of 20,800 sq ft with the postal address of 2, Jalan Kenanga 2, Sek. BB11, 48300 Bandar Bukit Beruntung, Selangor
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Company No.: 165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (Company No.: 635998-W)
CAGR	:	Compounded annual growth rate
CEO	:	Chief executive officer
China	:	People's Republic of China
CIDB	:	Construction Industry Development Board
CMSA	:	Capital Markets and Services Act 2007
Defects Liability Period	:	A period of between one (1) to three (3) years, depending on the size of the projects and upon certification of practical completion of the projects undertaken by the Group, during which we remain liable to rectify defects
DWA Advisory	:	DWA Advisory Sdn Bhd (Company No.: 1032257-D)
Euroland	:	Euroland & Development Sdn Bhd (Company No.: 936529-K)

DEFINITIONS

EPS	:	Earnings per Share
ETP	:	Economic Transformation Programme
Euro	:	European Euro, the currency of the European Union
Fibromat or the Company	:	Fibromat (M) Berhad (Company No.: 1022133-V)
Fibromat Group or the Group	:	Fibromat (M) Berhad and its subsidiary, individually or collectively
FMM	:	Federation of Malaysian Manufacturers
FPE	:	Financial period(s) ending/ended, as the case may be
FYE	:	Financial year(s) ended/ending, as the case may be
G7	:	Grade G7 registration with CIDB, which allows the Group to participate in tenders that are of unlimited contract value
Government	:	Government of Malaysia
GP	:	Gross profit
ICA	:	Industrial Co-ordination Act, 1975
IECA	:	International Erosion Control Association
Indonesia	:	Republic of Indonesia
Information Memorandum	:	This information memorandum dated 12 April 2019 in relation to our Proposed Placement and Proposed Listing
Issue Price	:	The issue price of RM0.29 per Share to be issued pursuant to the Proposed Placement
LEAP Market	:	Leading Entrepreneur Accelerator Platform Market of Bursa Securities
Listing Requirements	:	LEAP Market Listing Requirements of Bursa Securities
LPD	:	15 March 2019, being the latest practicable date prior to the date of this Information Memorandum
Malaysian IGS	:	Malaysian International Geosynthetics Society
MBIC	:	Malaysian Biomass Industries Confederation
MD	:	Managing director
MFRS	:	Malaysian Financial Reporting Standards
MIDA	:	Malaysian Investment Development Authority
MITI	:	Ministry of International Trade and Industry, Malaysia
MTS Fibromat	:	MTS Fibromat (M) Sdn Bhd (Company No.: 491502-K)

DEFINITIONS

MTS Fibromat Share Sale Agreement	:	Share sale agreement dated 4 April 2019 in relation to the Acquisition of MTS Fibromat
NA	:	Net assets
OEM	:	Original equipment manufacturer
Official List	:	A list specifying all securities listed on Bursa Securities
PAT	:	Profit after taxation
PBT	:	Profit before taxation
Philippines	:	Republic of the Philippines
Placement Share(s)	:	21,600,000 Shares to be issued pursuant to the Proposed Placement
Promoters	:	Ng Kian Boon, Wong Teck Ching and Mohd Tarmim bin Sidek, collectively
Proposed Listing	:	Proposed admission to the Official List and the listing of and quotation for our entire enlarged share capital of RM44,700,000 comprising 216,000,000 Shares on the LEAP Market of Bursa Securities
Proposed Placement	:	Proposed placement of 21,600,000 new Shares at an Issue Price of RM0.29 per Share to Sophisticated Investors within the meanings of Section 230 of the CMSA
Public	:	All persons other than directors of our Group, our substantial shareholders and persons associated with them
QC	:	Quality control
Rasa Factories	:	Rasa Property (Lot 2) and Rasa Property (Lot 4), collectively
Rasa Property (Lot 2)	:	All that piece of leasehold industrial land held under HSD 53708, PT 604, Bandar Rasa, Daerah Ulu Selangor, Selangor measuring approximately 133,957 sq ft with a three (3) storey office and a single storey factory with the postal address of Lot 2, Jalan Zurah 4, Kawasan Perindustrian Zurah, 44200 Rasa, Selangor
Rasa Property (Lot 4)	:	All that piece of leasehold industrial land held under HSD 53709, PT 605, Bandar Rasa, Daerah Ulu Selangor, Selangor measuring approximately 108,113 sq ft with a three (3) storey office and a single storey warehouse with the postal address of Lot 4, Jalan Zurah 4, Kawasan Perindustrian Zurah, 44200 Rasa, Selangor
R&D	:	Research and development
RM and sen	:	Ringgit Malaysia and sen, respectively, the currency of Malaysia

DEFINITIONS

Sale and Purchase Agreement of Euroland Property 1	: Sale and purchase agreement, dated 25 January 2017, entered into between MTS Fibromat and Euroland for the purchase of a three (3) bedroom apartment bearing the address of Unit No. A-10-03, Level 10, Jalan Damai Perdana 1/2, Bandar Damai Perdana, 56000 Kuala Lumpur, being part of a housing development known as Damai Vista, with the purchase consideration of RM670,589 (Ringgit Malaysia Six Hundred Seventy Thousand Five Hundred and Eighty Nine) only
Sale and Purchase Agreement of Euroland Property 2	: Sale and purchase agreement, dated 15 October 2018, entered into between MTS Fibromat and Euroland for the purchase of a three (3) bedroom apartment bearing the address of Unit No. A-12-06, Level 12, Jalan Damai Perdana 1/2, Bandar Damai Perdana, 56000 Kuala Lumpur, being part of a housing development known as Damai Vista, with the purchase consideration of RM696,471 (Ringgit Malaysia Six Hundred Ninety Six Thousand Four Hundred and Seventy One) only
SC	: Securities Commission Malaysia
SCORE	: SME competitiveness rating for enhancement
SGD	: Singapore Dollar, the currency of Singapore
Share(s)	: Ordinary share(s) in Fibromat
Singapore	: Republic of Singapore
Sophisticated Investors	: Investors who fall within Part 1 of Schedule 7 of the CMSA
SME	: Small and medium enterprise
Smith Zander	: Smith Zander International Sdn Bhd (Company No.: 1058128-V)
Sq ft	: Square feet
US	: United States of America
USD	: United States Dollar, the currency of the US
Vendors	: Ng Kian Boon, Wong Teck Ching and Mohd Tarmim bin Sidek, collectively

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GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains an explanation of certain terms used throughout this Information Memorandum in connection with our Group's business. The terminologies and their meanings may not correspond to the standard industry usage of these terms.

HDPE	:	High-density polyethylene
MSE	:	Mechanically stabilised earth
PE	:	Polyethylene
PP	:	Polypropylene
PVD	:	Prefabricated vertical drain
PVC	:	Polyvinyl chloride
SFM	:	Sand filled mattress
UV	:	Ultraviolet

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TABLE OF CONTENTS

	Page No.
SUMMARY OF THE PROPOSED PLACEMENT	xi
SUMMARY OF THE PROPOSED UTILISATION OF PROCEEDS	xi
INDICATIVE TIMETABLE OF PRINCIPAL EVENTS	xi
PRESENTATION OF INFORMATION	xii
FORWARD-LOOKING STATEMENTS	xii
CORPORATE DIRECTORY	1
1. INFORMATION ON OUR GROUP	3
1.1 Our Company	3
1.2 Our Group Structure	3
1.3 Our Subsidiary	4
2. BUSINESS OVERVIEW	6
2.1 Our Background and History	6
2.2 Evolution and Growth of our Business	6
2.3 Key Achievements and Awards	10
2.4 Our Business	11
2.5 Our Products	15
2.6 Our Operational Processes and Facilities	24
2.7 Our Quality Control and Assurance	28
2.8 Our Research and Development	29
2.9 Our Competitive Advantages and Key Strengths	30
2.10 Our Business Strategies and Future Plans	34
2.11 Types, Sources and Availability of Raw Materials and Supplies	37
2.12 Operation Capacity	38
2.13 Employee Segmentation	40
2.14 Major Customers	40
2.15 Major Suppliers and Sub-Contractors	42
3. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT	44
3.1 Promoters and Substantial Shareholders	44
3.2 Directors and Key Management Personnel	46
3.3 Declaration by our Directors	50
3.4 Involvement of Our Promoters, Substantial Shareholders, Directors and Key Management Personnel in Business/ Corporation outside Our Group	50
3.5 Moratorium on Our Shares	54
4. PARTICULARS OF THE PROPOSED LISTING	55
4.1 Proposed Listing Scheme	55
4.2 Issue Price of the Placement Shares	55
4.3 Proposed Utilisation of Proceeds	55
4.4 Listing on Bursa Securities	56
4.5 Share Capital and Shareholding Structure	57

TABLE OF CONTENTS (Cont'd)

5.	HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS THEREON	59
5.1	Historical Financial Information.....	59
5.2	Management Discussion and Analysis	64
5.3	Dividend Policy.....	77
6.	INDEPENDENT MARKET RESEARCH REPORT	78
7.	RISKS	85
7.1	Business, Operating and Industry Risks.....	85
7.2	Risks Relating to the Industry in which our Group Operates	89
7.3	Risks of Investing in our Shares.....	94
8.	RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST	96
8.1	Related Party Transactions	96
8.2	Existing and Proposed Related Party Transactions	96
8.3	Transactions that are Unusual in their Nature or Conditions	98
8.4	Outstanding Loans Made by Our Company or our subsidiary for the Benefit of Related Parties	98
8.5	Interests in Similar Businesses and other Conflict of Interest Situations.....	98
9.	ADDITIONAL INFORMATION	99
9.1	Directors' Responsibility Statement	99
9.2	Consents	99
9.3	Declarations of Conflict of Interest by our Advisers.....	99
9.4	Material Litigation and Contingent Liabilities.....	99
9.5	Material Contracts.....	100
9.6	Licences and Permits	101
9.7	Intellectual Property Rights	106
9.8	Documents Available for Inspection.....	107
APPENDIX I	Auditors' Reports and Combined Financial Statements of Fibromat (M) Berhad for FYE 31 December 2017 and FYE 31 December 2016	
APPENDIX II	Unaudited Combined Financial Statements of Fibromat (M) Berhad for the eight (8) months FPE 31 August 2018	

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SUMMARY OF THE PROPOSED PLACEMENT

	No. of shares	RM
Existing issued share capital	194,400,000	38,436,000
New Shares to be issued pursuant to our Proposed Placement	21,600,000	6,264,000
Enlarged issued share capital upon Proposed Listing	216,000,000	44,700,000
Percentage of enlarged issued share capital represented by the Placement Shares		10.00%
Issue Price per Placement Share (RM)		0.29
Gross proceeds to be raised pursuant to our Proposed Placement (RM)		6,264,000
Market capitalisation based on the Issue Price per Placement Share upon Proposed Listing (RM)		62,640,000

SUMMARY OF THE PROPOSED UTILISATION OF PROCEEDS

Based on the Issue Price, the estimated gross proceeds to be raised from our Proposed Placement of RM6.26 million shall accrue entirely to us and are planned to be utilised within twelve (12) months from the date of the Proposed Listing in the following manner:

Utilisation of Proceeds	Estimated Timeframe for Utilisation upon Listing	RM'000	%
(i) General working capital	Within 12 months	5,064	80.84
(ii) Estimated Proposed Listing expenses	Within 6 months	1,200	19.16
Total		6,264	100.00

Further details of the utilisation of proceeds of our Proposed Placement are set out in Section 4.3 of this Information Memorandum.

INDICATIVE TIMETABLE OF PRINCIPAL EVENTS

The indicative timing of events leading to the listing of and quotation for our entire enlarged share capital on the LEAP Market is set out below:

Events	Tentative dates
Date of Information Memorandum	April 2019
Allotment of Placement Shares	April 2019*
Listing of our Company on the LEAP Market	May 2019*

* Subject to receipt of approval-in-principle from Bursa Securities for our Proposed Listing

The dates are tentative and are subject to changes which may be necessary to facilitate the implementation of our Proposed Listing procedures. An announcement for the key relevant dates will be made after obtaining Bursa Securities' approval-in-principle for our Proposed Listing.

IMPORTANT INFORMATION

PRESENTATION OF INFORMATION

All references to “our Company” in this Information Memorandum are to Fibromat (M) Berhad, while references to “our Group” are to our Company and our subsidiary. References to “we”, “us”, “our” and “ourselves” are to our Company or our Group or any member of our Group, as the context requires. Unless the context otherwise requires, references to “Management” are to our Executive Directors and our key management personnel as disclosed in this Information Memorandum, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

Words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include companies and corporations.

Any reference to provisions of statutes, rules, regulations, enactments or rules of stock exchange shall (where the context admits), be construed as a reference to provisions of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactments to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force.

Any reference to dates and times shall be a reference to dates and times in Malaysia.

In this Information Memorandum, any discrepancies between the amounts listed and the totals in tables are due to rounding.

FORWARD-LOOKING STATEMENTS

This Information Memorandum contains forward-looking statements, which include all statements other than those of historical facts including, amongst others, those regarding our expected financial position, business strategies, plans, prospects and objectives of our Management for future operations. These statements can be identified by forward-looking terminology terms as “anticipate”, “believe”, “could”, “estimate”, “expect”, “if”, “intend”, “may”, “plan”, “possible”, “probable”, “project”, “should”, “will” and “would” or similar words. These forward-looking statements, including but not limited to statements as to our Group’s revenue and profitability, prospects, future plans, expected industry trends and other matters discussed in this Information Memorandum regarding matters that are not historic facts, are only predictions.

These forward-looking statements involve known and unknown risks, uncertainties and other factors beyond our control that could cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, amongst others:

- changes in the political, social and economic conditions and the regulatory environment in Malaysia and other countries in which we conduct business; and
- changes in currency exchange rates, our future capital needs and the availability of financing and capital to fund such needs.

Some of these factors are discussed in more detail in Section 7 of this Information Memorandum.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. As such, we cannot assure you that the forward-looking statements in this Information Memorandum will be realised.

IMPORTANT INFORMATION

These forward-looking statements are based on information available to us as at the date of this Information Memorandum. Subject to the provisions of Section 238 of the CMSA, we expressly disclaim any responsibility to update any of these forward-looking statements or publicly announce any revisions to these forward-looking statements to reflect future developments, events or circumstances, even if new information becomes available or other events occur in the future.

You will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward-looking statements that are contained herein.

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CORPORATE DIRECTORY

- BOARD OF DIRECTORS** : Dr Fauziah Binti Ahmad
Independent Non-Executive Chairman
- Ng Kian Boon
Managing Director and Chief Executive Officer
- Wong Teck Ching
Executive Director
- Mohd Tarmim Bin Sidek
Executive Director
- Ng Chun Hou
Executive Director
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Facsimile : +603 7841 8199
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Facsimile: +603 6189 7559 / +603 6187 9775
Email: enquiry@fibromat.com.my
Website: www.fibromat.com.my
- APPROVED ADVISER, PLACEMENT
AGENT AND CONTINUING ADVISER** : DWA Advisory Sdn Bhd (Company No.: 1032257-D)
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- AUDITORS** : BDO PLT (LLP0018825-LCA & AF 0206)
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CORPORATE DIRECTORY

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Certified Company Secretary
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Telephone: +603 6189 9999 / +603 6188 4300
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Malaysia

Telephone: +603 2732 7537

SHARE REGISTRAR : Boardroom Share Registrars Sdn Bhd
(formerly known as Symphony Share Registrars Sdn Bhd)
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Selangor, Malaysia

Telephone : +603 7849 0777
Facsimile : +603 8151 / 7841 8152

SOLICITOR FOR THE PROPOSED LISTING EXERCISE : Messrs. Lee Choon Wan & Co.
Advocates & Solicitors
No. 12, Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
Malaysia

Telephone : +603 2093 0078
Facsimile : +603 2094 1750

LISTING SOUGHT : LEAP Market

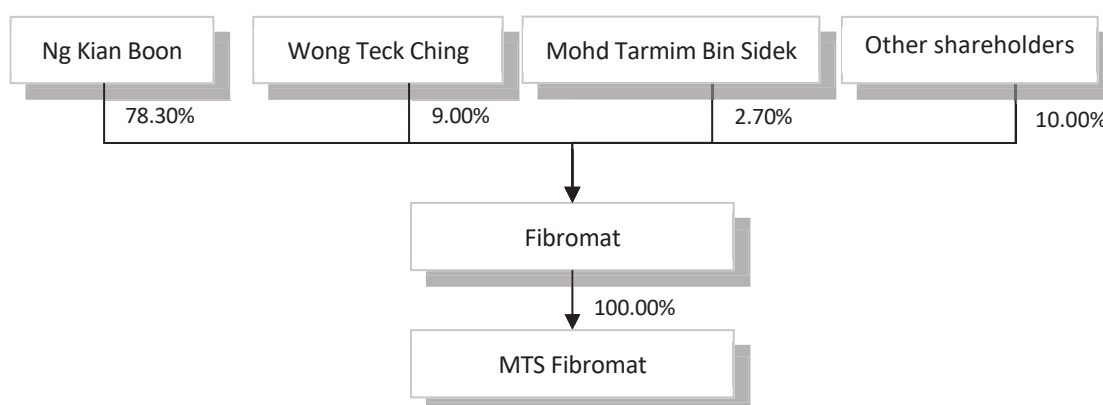
1. INFORMATION ON OUR GROUP

1.1 Our Company

Fibromat was incorporated in Malaysia on 24 October 2012 under the Companies Act, 1965 as a public limited company under the name Fibromat (M) Berhad and deemed registered under the Act to carry out the Proposed Listing.

Our principal activity is investment holding whereas our subsidiary, namely MTS Fibromat, is principally involved in designing and installation services for erosion control solutions, manufacturing of in-house erosion control products, trading of geosynthetics products and trading of erosion control products manufactured for our Group by our appointed third-party manufacturers and other third-party products.

1.2 Our Group Structure



In conjunction with, and as an integral part of the Proposed Listing, on 4 April 2019, we had entered into a conditional share sale and purchase agreement with the Vendors to acquire the entire equity interest in MTS Fibromat. The acquisition of MTS Fibromat was completed on 11 April 2019.

The purchase consideration of RM38,435,997 for the Acquisition of MTS Fibromat was arrived at after taking into consideration the adjusted NA of MTS Fibromat as at 31 December 2017 of RM38,442,734 based on early adoption of MFRS 9: Financial Instrument (“**MFRS 9**”), which is further detailed out below:

	RM
Audited NA of MTS Fibromat as at 31 December 2017	36,679,682
Less: Adjustment based on adoption of MFRS 9	(3,849,728)
Restated Audited NA of MTS Fibromat as at 31 December 2017	32,829,954
Less: Dividend paid after 31 December 2017	(4,000,000)
Add: Net revaluation surplus for properties held by MTS Fibromat i.e. Bukit Beruntung Property, Batu Caves Property, Rasa Property (Lot 2) and Rasa Property (Lot 4) ⁽ⁱ⁾	9,612,780
Adjusted audited NA of MTS Fibromat as at 31 December 2017	38,442,734

Note:

(i) Inclusive revaluation surplus amounting to RM10,714,200 minus 10% deferred tax of RM1,101,420

The purchase consideration of RM38,435,997 for the Acquisition of MTS Fibromat was satisfied in full by the allotment and issuance of 194,399,985 Shares at an issue price of approximately RM0.20 per Share to the Vendors.

1. INFORMATION ON OUR GROUP

Vendors	No. of shares acquired	% of share capital in MTS Fibromat	Purchase consideration (RM)	No. of new Shares issued
Ng Kian Boon	5,655,000	87.00	33,439,317	169,127,986
Wong Teck Ching	650,000	10.00	3,843,600	19,439,999
Mohd Tarmim bin Sidek	195,000	3.00	1,153,080	5,832,000
Total	6,500,000	100.00	38,435,997	194,399,985

1.3 Our Subsidiary

The details of our subsidiary are summarised in the following table:

Name	Date and Country of Incorporation	Issued Share Capital	Our Company's Effective Interest	Principal Activities
MTS Fibromat	16 August 1999 Malaysia	RM6,500,000	100.00%	Design and installation services for erosion control solutions, manufacturing and trading of erosion control products.

As at the LPD, we do not have any associate company. Further details of our subsidiary are as detailed out below:

1.3.1 MTS Fibromat**(i) History and business**

MTS Fibromat was incorporated in Malaysia on 16 August 1999 under the Companies Act, 1965 as a private limited company under the name of MTS Fibromat (M) Sdn Bhd.

MTS Fibromat is principally engaged in designing and the installation services for erosion control solutions, manufacturing of in-house erosion control products, trading of geosynthetic products, trading of erosion control products manufactured for our Group by our appointed third-party manufacturers and other third-party products.

(ii) Share Capital

MTS Fibromat is a wholly-owned subsidiary of our Company. The changes in the issued share capital of MTS Fibromat for the past three (3) years preceding the LPD are as follows:

Date of allotment	No. of ordinary shares allotted	Consideration	Cumulative issued share capital RM
22 November 2016	500,000	Cash	5,000,000
29 December 2017	1,500,000	Cash	6,500,000

There were no discounts, special terms or installment payment terms applicable to the payment of consideration for the above allotments.

1. INFORMATION ON OUR GROUP

(iii) Directors

The directors of MTS Fibromat as at the LPD, are Ng Kian Boon, Wong Teck Ching, Mohd Tarmim bin Sidek and Ng Chun Hou.

(iv) Subsidiary and associate company

As at the LPD, MTS Fibromat does not have any subsidiary and/or associate company.

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2. BUSINESS OVERVIEW

2.1 Our Background and History

Our Group is principally involved in the manufacturing, trading and provision of erosion control products and solutions, specialising in slope stabilisation and ground improvement, as well as sediment control, filtration and separation solutions.

Our erosion control solutions are used in a diverse range of construction project types including residential and commercial development, infrastructure development, land reclamation, road construction, soil stabilisation, landscaping and river and coastal protection.

MTS Fibromat, our wholly-owned subsidiary, was founded by our Executive Director, Mohd Tarmim bin Sidek, when it was incorporated on 16 August 1999. On the same date, our MD and CEO, Ng Kian Boon, joined MTS Fibromat as the General Manager.

On 19 July 2001, Ng Kian Boon and our Executive Director, Wong Teck Ching became indirect shareholders of MTS Fibromat via their shareholdings in Containment Engineering Sdn Bhd (“**Containment Engineering**”). On 20 July 2001, Ng Kian Boon was appointed as the director of MTS Fibromat. On 14 January 2011, Ng Kian Boon and Wong Teck Ching became direct shareholders of MTS Fibromat via subscription of additional shares in the company. Subsequently, Wong Teck Ching was appointed as the director of MTS Fibromat on 24 October 2012.

On 1 August 2016, Containment Engineering ceased its shareholding in MTS Fibromat.

We commenced business in the manufacturing of erosion control blankets using natural fiber, namely paddy straws from a leased factory in Sekinchan, Selangor (“**Sekinchan Factory**”) with a land area of 21,780 sq ft. We also provided hydroseeding services to complement our erosion control blanket products, traded geosynthetic products and subsequently expanded our range of products.

The Fibromat brand was registered as a trademark with Intellectual Property Corporation of Malaysia on 30 July 2009.

2.2 Evolution and Growth of our Business

Our operations and business since its inception, are developed as follows:

Year	Operation and Business Development of Fibromat Group
1999	<ul style="list-style-type: none"> • MTS Fibromat was incorporated and commenced business in the manufacturing of erosion control blankets using natural fiber, namely paddy straws and the provision of hydroseeding services to complement our erosion control blanket products. • Secured our first orders in 1999 for erosion control blankets and hydroseeding from local construction companies. These orders were made for an infrastructure project in Cameron Highlands (including road projects in surrounding areas such as Simpang Pulai, Perak and Gua Musang, Kelantan).
2000	<ul style="list-style-type: none"> • Developed and commenced manufacturing of a new product, coir log, to meet different customer requirements, specifically for natural slopes and riverbanks.
2002	<ul style="list-style-type: none"> • Commenced trading of geosynthetic products to complement our in-house manufactured products.

2. BUSINESS OVERVIEW

Year	Operation and Business Development of Fibromat Group
2004	<ul style="list-style-type: none"> • Due to growing demand, we introduced the use of palm fibre and coconut fibre in our erosion control blankets. • Secured our first export sales when we delivered our erosion control blankets to Singapore.
2006	<ul style="list-style-type: none"> • Expanded product lines by commencing the manufacturing of turf reinforcement mattresses, which was a type of erosion control blanket for river applications.
2007	<ul style="list-style-type: none"> • Secured an export order from Taiwan for the supply of coconut fibre erosion control blankets and turf reinforcement mattresses. • Secured orders for hydroseeding for slope protection works at Kuala Lumpur – Karak Highway.
2008	<ul style="list-style-type: none"> • Increased our product range and began manufacturing sand filled mattresses as another type of product for river applications.
2009	<ul style="list-style-type: none"> • Commenced manufacturing of geotextile sand containers which was a new flexible erosion control product that can be used for uneven terrains. • Entered into a manufacturing and license agreement with Shaw Technologies Inc., a company based in Texas, United States, to manufacture and market its proprietary integrated concrete segmental retaining wall system, namely Omega retaining wall.
2010	<ul style="list-style-type: none"> • Secured an export order from Brunei for the supply of turf reinforcement mattresses and erosion control blankets, as well as an export order from South Korea for the supply of erosion control blankets. • Carried out revegetation works at Sri Jaya, Pahang and Jabor, Pahang section of the East Coast Highway.
2012	<ul style="list-style-type: none"> • Expanded our product range and commenced manufacturing of geocell, a cellular confinement system, arising from the growing market demand for synthetic erosion control solution for unvegetated slope. • Provided hydroseeding works and the supply of geocell for the fourth lane expansion of North-South Expressway.
2013	<ul style="list-style-type: none"> • Expanded further our product range and commenced manufacturing of MSE gabion wall and silt curtains.
2014	<ul style="list-style-type: none"> • Established our in-house R&D department to provide more focus on product and process development, testing services to clients as well as quality assurance and quality control of products. • Embarked on the provision of design and installation services to complement our erosion control products. • Commenced the manufacturing of green mattresses for river embankment projects. • Provided design and installation services for a flood mitigation project at Sungai Bunus, Kuala Lumpur which included the application of green mattresses.

2. BUSINESS OVERVIEW

Year	Operation and Business Development of Fibromat Group
	<ul style="list-style-type: none"> • Provided design and installation services of a retaining wall system for the upgrade of roads in Johor, from Johor Bahru to Pontian and the construction of a flyover at Bandar Baru Kangkar Pulai. • Secured export orders from India, Cambodia, Vietnam and Mauritius for the supply of sand filled mattresses, geobags, gabions and non-woven geotextiles. • Secured order to supply gabion mattresses for Kuala Lumpur-Kuala Selangor Expressway (LATAR) slope repair works.
2015	<ul style="list-style-type: none"> • Secured an export order from Hong Kong for the supply of silt curtains. • Supplied and installed PVD for the earthworks at Seberang Perai Selatan, Penang. • Provided design and installation services for slope protection using MSE gabion wall for the construction of retaining walls and associated works for a 26-storey apartment in Cheras, Selangor.
2016	<ul style="list-style-type: none"> • Complied with all requirements for the Malaysian Brand Certification Scheme for erosion control products, which was endorsed by SME Corporation Malaysia and SIRIM QAS International Sdn Bhd. • Developed our own in-house product, namely composite weed control mat to control weed growth. • Provided soil improvement works at Sultan Idris Education University - Teluk Intan campus in Perak, which required the installation of PVD. • Provided design and installation services for the construction and completion of geogrid walls for multiple apartments in Semenyih, Selangor.
2017	<ul style="list-style-type: none"> • Secured export order from the Philippines for the supply of HDPE geomembrane and non-woven geotextiles. • Provided design and installation services for the construction and completion of waste reception cells and related infrastructure works at Jeram sanitary landfills, Jeram, Kuala Selangor. • Provided installation services for the PVD installation works of the reclamation and development of Seri Tanjung Pinang (Phase II) in Penang. • Secured an order for the supply of woven geotextiles for a mixed development at Tanjung Dua Belas, Kuala Langat, Selangor. • Secured orders for the supply of non-woven geotextiles and gabions for the privatisation of Sungai Besi - Ulu Kelang Elevated Expressway (Suke) project.
2018	<ul style="list-style-type: none"> • Commenced our own in-house manufacturing of PVD.

Since the commencement of our business in 1999, we have successfully grown and evolved from a manufacturing-based erosion control company to a Group that provides erosion control solutions, offering our customers erosion control products, trading as well as design and installation services.

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2. BUSINESS OVERVIEW

To date, we have relocated and expanded our manufacturing facilities to commensurate with the higher demand that came on the back of increased product development and offerings. A summary of the history of our manufacturing facilities is as follows:

Year	Manufacturing Facility
1999	<ul style="list-style-type: none"> Commenced operations in Sekinchan Factory.
2003	<ul style="list-style-type: none"> Acquired our first property in Rawang, Selangor. It was a 1½-storey light industrial factory with a land area of 2,196 sq ft ("First Rawang Factory")
2005	<ul style="list-style-type: none"> Acquired another 1½-storey light industrial factory in Rawang, Selangor with a land area of 2,196 sq ft ("Second Rawang Factory").
2006	<ul style="list-style-type: none"> Acquired a parcel of land in Bukit Beruntung, Rawang, Selangor with a land area measuring 61,451 sq ft for the construction of Bukit Beruntung Property.
2008	<ul style="list-style-type: none"> Sale of our First Rawang Factory.
2009	<ul style="list-style-type: none"> Commenced our operations at Bukit Beruntung Property.
2011	<ul style="list-style-type: none"> Purchased two parcels of adjacent industrial land in Rasa, Selangor, totalling 242,070 sq ft, for the construction of Rasa Factories.
2013	<ul style="list-style-type: none"> Sale of our Second Rawang Factory.
2016	<ul style="list-style-type: none"> Ceased our operations at Sekinchan Factory.
2017	<ul style="list-style-type: none"> Relocated all our Bukit Beruntung Property operations to our present Rasa Factories.

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2. BUSINESS OVERVIEW

2.3 Key Achievements and Awards

In recognition of our achievements in the industry, our Group has received the following awards:

Year	Awards	Awarding Bodies
2002	<ul style="list-style-type: none"> Selangor Small and Medium Industry Special Award 	<ul style="list-style-type: none"> Selangor State Investment Center Berhad
2006	<ul style="list-style-type: none"> Enterprise 50 Award Programme 2006 	<ul style="list-style-type: none"> SME Corporation Malaysia and Deloitte Malaysia
2009	<ul style="list-style-type: none"> Golden Bull Award under the Outstanding SME category 	<ul style="list-style-type: none"> Nanyang Siang Pau
2010	<ul style="list-style-type: none"> Enterprise 50 Award Programme 2010 SME Recognition Awards 2010 (under the SME Green Excellence Award category) The BrandLaureate-SMEs Chapter Awards 2010 (under the Corporate Branding category) 	<ul style="list-style-type: none"> SME Corporation Malaysia and Deloitte Malaysia SME Corporation Malaysia Asia Pacific Brand Foundation
2013	<ul style="list-style-type: none"> EU-Malaysia Sustainable Production Initiative (Biomass-SP) SME Recognition Award Malaysia's Best Green Products & Service Company Award (Bio-Engineering) 	<ul style="list-style-type: none"> MBIC The Top 10 of Malaysia magazine
2015	<ul style="list-style-type: none"> Golden Eagle Award – 7th Position winner of Top 10 Excellent eagle 	<ul style="list-style-type: none"> Nanyang Siang Pau
2015	<ul style="list-style-type: none"> Entrepreneur Award SOBA Entrepreneur of the Year Award (special mentioned) 2015 	<ul style="list-style-type: none"> MBIC Star Publications (Malaysia) Berhad
2016	<ul style="list-style-type: none"> Enterprise 50 Award Programme 2016 National Mark of Malaysian Brand (the mark of Quality, Excellence and Distribution) 	<ul style="list-style-type: none"> SME Corporation Malaysia and Deloitte Malaysia SME Corporation Malaysia
2018	<ul style="list-style-type: none"> Four (4) Star Rating according to SCORE criteria for G7 registered company 	<ul style="list-style-type: none"> CIDB

2. BUSINESS OVERVIEW

2.4 Our Business

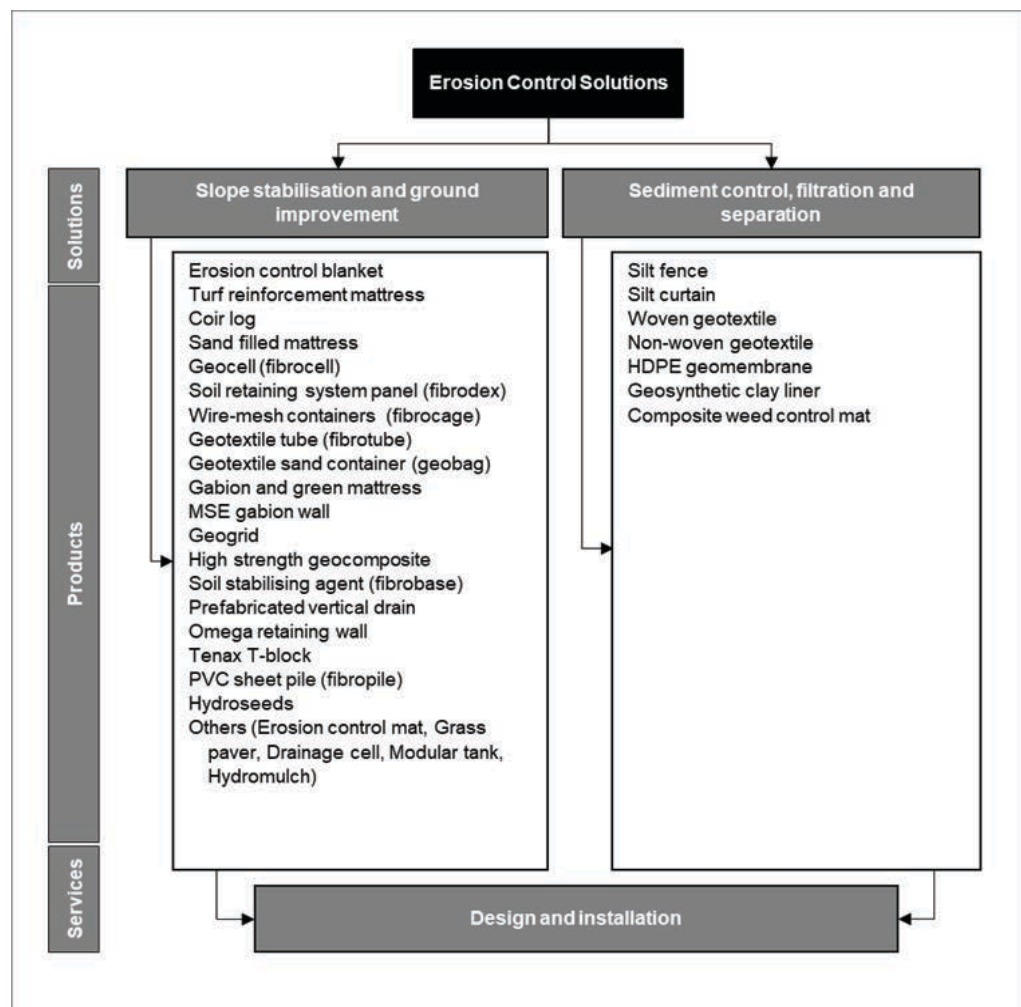
2.4.1 Our Business Activities

Our Group is principally involved in the provision of erosion control solutions. Erosion control solutions are techniques used to prevent and/or manage soil or ground degradation, caused by natural elements such as wind or water, as well as man-made features such as construction. Soil or ground degradation may result in landslides, flooding, water pollution and in more severe cases, cause building structures to be weakened.

Our Group offers a range of erosion control solutions which can be used for:

- (i) Slope stabilization and ground improvement
To control wind and water erosion through the modification and improvement of ground and slope conditions, in terms of strength, stability, capacity, density, moisture retention, permeability and drainage; and
- (ii) Sediment control, filtration and separation
To prevent seepage, filter and separate sediments and to avoid eroded soil and surface run off into nearby rivers, lakes and seas causing water pollution.

Our solutions can be segmented as follows:



2. BUSINESS OVERVIEW

Our Group's erosion control solutions are used in a diverse range of project types, including projects for:

- (i) Land reclamation;
- (ii) Road construction;
- (iii) Railway construction;
- (iv) River and coastal protection;
- (v) Soil stabilization; and
- (vi) Landscaping.

2.4.2 Our Business Model

Our Group offers erosion control solutions through three (3) business models, as detailed out below:

- (i) Design and installation services for erosion control solutions ("design and installation services") : We offer the following services for the implementation of erosion control solutions:
 - Project design works
We assess, propose and plan optimal and cost-effective solutions along with the integration of suitable erosion control products to clients. This is based on project requirements and specifications provided by our clients. The products integrated in a project design comprise products manufactured by us or our appointed third-party manufacturers or sourced from external suppliers (which are described in Sections 2.5.2 and 2.5.3 of this Information Memorandum); and
 - Project installation works
We monitor and supervise the engineering and installation of our products at the project site. The engineering and installation works are either carried out by our own team or outsourced to sub-contractors. Upon customer request, we would conduct testing periodically prior to the installation. This is done to ensure good quality of our product and services are rendered to our customers.

The provision of design and installation services allows us to provide additional services that complete the erosion control solutions delivered to our customers, and to emphasize that we are a specialist engineering company and a solutions provider. We are typically engaged on a project basis to carry out these services.

2. BUSINESS OVERVIEW

- (ii) Trading of erosion control products manufactured for us by our appointed third-party manufacturers and other third-party products (“trading of third party/OEM products”) :
- We purchase third party erosion control products from external suppliers for onward sale to our customers. This is to supplement our in-house manufactured erosion control products as well as those manufactured by our OEMs in order to meet the needs of our customers.

All of the abovementioned products are described in Sections 2.5.2 and 2.5.3 of this Information Memorandum.

- (iii) Manufacturing of in-house erosion control products (“manufacturing of in-house products”) :
- Our Group manufactures and sells in-house erosion control products to customers.

Our products are improvised by our in-house R&D team, which are then manufactured using:

- natural materials;
- synthetic materials; or
- a combination of both natural and synthetic materials.

Examples of natural materials are coconut fibre, palm fibre, paddy straw, sand, soil and rock. Natural materials are generally biodegradable and are typically used for erosion control products that will disintegrate to allow for vegetation growth along the ground. Vegetation increases the strength of the soil, thereby contributing to its stability.

Meanwhile, synthetic materials do not biodegrade. As such, erosion control products manufactured using synthetic materials are generally used for soil protection and reinforcement, and to separate, filter and drain sediments and other materials. Examples of synthetic materials are woven and non-woven geotextiles (which are permeable textiles), geocomposites (which are a combination of geotextiles, environmentally-friendly products and synthetic materials such as plastics) and geocell (which are synthetic materials with a uniformly distributed array of openings that are filled with soil, sand or stones).

All of the abovementioned products are described in Section 2.5.1 of this Information Memorandum.

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2. BUSINESS OVERVIEW

2.4.3 Our Revenue Segmentation

The breakdown of our sales revenue by our principal business activities in the past two (2) FYEs 31 December 2016 and 31 December 2017, and FPE 31 August 2018 are as follows:

Principal Business Activities	FYE 31 December				FPE 31 August 2018	
	2016		2017		2018	
	RM'000	%	RM'000	%	RM'000	%
Design and installation services ⁽ⁱ⁾	20,008	45.22	27,779	57.61	20,364	56.91
Trading of third party/OEM products	14,725	33.28	11,731	24.33	10,959	30.62
Manufacturing of in-house products	9,516	21.50	8,711	18.06	4,461	12.47
Total	44,249	100.00	48,221	100.00	35,784	100.00

Note:

(i) *The design and installation services include project design works, integration of our manufacturing and trading products and installation works.*

Our Group's revenue by our principal markets in the past two (2) FYEs 31 December 2016 and 31 December 2017, and FPE 31 August 2018, are as follows:

Principal Markets	FYE 31 December				FPE 31 August 2018	
	2016		2017		2018	
	RM'000	%	RM'000	%	RM'000	%
Malaysia	41,924	94.75	45,603	94.57	33,548	93.75
Overseas	2,325	5.25	2,618	5.43	2,236	6.25
• India	685	1.55	493	1.02	454	1.27
• Singapore	856	1.93	1,682	3.49	1,623	4.54
• South Korea	608	1.37	315	0.65	141	0.39
• Others ⁽ⁱ⁾	176	0.40	128	0.27	18	0.05
Total	44,249	100.00	48,221	100.00	35,784	100.00

Note:

(i) *Others include Brunei, the Philippines, Mauritius and Indonesia*




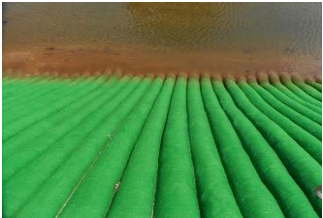
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2. BUSINESS OVERVIEW

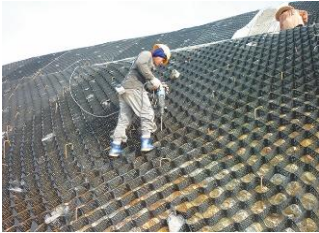


2.5 Our Products

2.5.1 In-house Products




Our ranges of erosion control products which we manufacture in-house are detailed out as follows:

Products	Description
<p>(i) <u>Erosion control blanket</u></p> 	<ul style="list-style-type: none"> Erosion control blankets are manufactured from natural straw and fibers which are stitched together using biodegradable threads and a double layer PP netting. Erosion control blankets are installed on slopes to reduce soil erosion and surface wash-offs. It also allows for reinforced vegetation through hydroseeding processes.
<p>(ii) <u>Turf reinforcement mattress</u></p> 	<ul style="list-style-type: none"> Turf reinforcement mattresses are manufactured from coconut fibers which are stitched together using UV-stabilised PP netting to produce a flexible, lightweight mattress. Turf reinforcement mattresses are installed on slopes, drainage channels and shorelines to reduce soil erosion and reduce sediment run-off into rivers. Turf reinforcement mattresses' drainage properties also allow for vegetation growth.
<p>(iii) <u>Coir log</u></p> 	<ul style="list-style-type: none"> Coir logs, also known as fibrologs, are manufactured from 100% compressed biodegradable coconut fibers which are enclosed in a polymer exterior netting. Coir logs are typically installed on riverbanks and slope terraces to reduce soil erosion, promote stabilization of embankments and terraces and control sediments from run-off or flowing into the river. It also enhances vegetation as a temporary root support system for plants.
<p>(iv) <u>Sand filled mattress</u></p> 	<ul style="list-style-type: none"> Sand filled mattresses are made of filter cloths which are filled with sand. Sand filled mattresses are installed on slopes which are in contact with water (i.e. riverbanks, waterways, canals) to reduce soil erosion caused by waves. Sand filled mattresses also allow for vegetation growth.




2. BUSINESS OVERVIEW

Products	Description
<p>(v) <u>Geocell</u></p> 	<ul style="list-style-type: none"> • Geocells, also known as fibrocells, are manufactured from PE to produce a strong, expandable and lightweight honeycomb design product that is filled with soil, sand and/or stones, known as the infill. Geocells' honeycomb shape allows for the infill to be confined within its cell structure, thereby preventing the infill to be washed off. • Geocells are installed on slopes to reduce soil erosion and increase stability. Geocells are commonly used at acidic or rocky slope to achieve vegetation growth.
<p>(vi) <u>Wire-mesh container</u></p> 	<ul style="list-style-type: none"> • Wire-mesh containers, also known as fibrocage, are lightweight, flexible and foldable wire-mesh containers that are filled with materials such as soil, sand and/or stones. Fibrocage can be stacked and welded with other fibrocage to form a larger single structure. The high-tensile strength and anti-impact capability of fibrocage allow it to withstand strong water current flow. • Fibrocage is typically installed on riverbanks and coastlines to serve as flood mitigation or embankment protection system by diverting or blocking water flow with the infilled materials, to reduce soil erosion. Fibrocage also allows for vegetation growth.
<p>(vii) <u>Geotextile sand container</u></p> 	<ul style="list-style-type: none"> • Geotextile sand containers, also known as geobags, are made of either woven or non-woven geotextiles that are filled with sand. Sometimes, geobags are protected with a protection layer for further protection against UV and vandalism. Geobags could be stacked or laid side-by-side with other geobags to form a larger surface. • Geobags are typically installed on slopes, riverbanks and coastlines to protect the slope and reduce soil erosion. Geobags' durability and flexibility to conform to uneven terrain allows it to act as a retaining wall system. Geobags' drainage properties also allows for vegetation growth. • Geobags are also known as geotextile bags, woven geobags or non-woven geobags.

2. BUSINESS OVERVIEW

Products	Description
<p>(viii) <u>Gabion and green mattress</u></p> 	<ul style="list-style-type: none"> • Gabions are PVC-coated zinc wire mesh containers that are filled with rocks. The wire mesh are triple-twisted into hexagonal mesh forms which do not unravel when cut. Gabions can be stacked and tied up with other gabions to form a larger single structure. • Gabions are installed on slopes and riverbanks to reduce soil erosion and prevent landslides, while its high-tensile strength and structural rigidity allows it to act as a retaining wall system. Gabions' drainage properties also allow for vegetation growth. • Green mattresses are similar to gabions. However, gabion mattresses consist of a single flat surface that is used as a base for slope protection together with turf reinforcement mattress. Green mattresses are typically used to maximise vegetation.
<p>(ix) <u>MSE gabion wall</u></p> 	<ul style="list-style-type: none"> • MSE gabions are PVC-coated zinc wire mesh containers that are filled with earth. MSE gabions are usually used with erosion control mats, vegetation layer and positioning brackets. Gabions can be stacked and tied up with other gabions to form a larger single structure. • MSE gabions are typically installed on riverbanks to reduce soil erosion and prevent landslides, while MSE gabions' high-tensile strength and structural rigidity allows it to act as a retaining wall system. MSE gabions' vegetation layer and drainage properties encourages vegetation growth.
<p>(x) <u>PVD</u></p> 	<ul style="list-style-type: none"> • PVDs are manufactured from a PP and/or PE core wrapped with a layer of non-woven geotextile. • PVDs are installed in soft ground to quicken the consolidation of soft ground thereby reducing construction time and cost.

2. BUSINESS OVERVIEW



Products	Description
<p>(xi) <u>Silt fence</u></p> 	<ul style="list-style-type: none"> • Silt fences are made of geotextile filter fabric that are attached to supporting poles which are embedded to the ground. • Silt fences are typically installed at construction sites to prevent sediment-laden water and surface run-off from leaking into and/or out of the construction site. • Silt fences are also known as sediment control fence or silt barrier.
<p>(xii) <u>Silt curtain</u></p> 	<ul style="list-style-type: none"> • Silt curtains are made of polyester, and are installed in water, especially during river and coastal construction, to prevent the spread of environmental containments. Silt curtains' durability and secure structure enables it to withstand tides, waves and wind. • Silt curtains are also known as floating turbidity curtain, floating silt barrier or geosilt protector.
<p>(xiii) <u>Composite weed control mat</u></p> 	<ul style="list-style-type: none"> • Composite weed control mats are mats made of photo-degradable netting, natural palm fiber and woven PP fabric. • Weed control mats are typically installed to control weed growth that disrupts crop yield. The natural fiber of the weed control mat also provides nutrients for the crop. In addition, the mat prevents fertilizer from being washed off during heavy rain, thus, providing significant cost savings to a plantation owner.

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2. BUSINESS OVERVIEW


2.5.2 Third Party Products

The ranges of erosion control products which are manufactured by our appointed third party manufacturers are detailed out as follows:

Products		Description
(i)	<p><u>Omega retaining wall</u></p> 	<ul style="list-style-type: none"> • Omega retaining wall is an integrated concrete segmental retaining wall system consisting of interlocking concrete omega blocks which are stacked together. • Omega retaining walls are installed on slopes to prevent soil erosion, strengthen the slope, as well as a retaining wall system enabling land owners to maximise land space. • Omega retaining walls are also known as reinforced soil retaining wall.
(ii)	<p><u>Tenax T-block retaining wall</u></p> 	<ul style="list-style-type: none"> • Tenax T-block retaining wall consists of prefabricated concrete blocks which are stacked together using geogrids as reinforcement. • Tenax T-blocks retaining walls are installed on the ground and slopes and by riverbeds to prevent soil erosion, strengthen the slope, as well as a retaining wall system to support a large surcharge load.

2.5.3 External Suppliers Products






Our ranges of erosion control products which we source from external suppliers are detailed out as follows:

Products		Description
(i)	<p><u>Soil retaining system panel</u></p> 	<ul style="list-style-type: none"> • Soil retaining system panel, also known as fibrodex, is manufactured from UV-stabilised PP to produce a lightweight and durable octagonal-shaped product. Fibrodex has interlocking designs which enables it to be linked together to form a larger single structure. The octagonal shape of fibrodex allows for the soil to be confined, thereby limiting the movement of soil, while its structural strength and durability allows it to withstand high surface loading capacity. • Fibrodex is usually installed on slopes to prevent soil erosion and to protect the surface. It also provides growing medium which allows for vegetation growth.


2. BUSINESS OVERVIEW

Products		Description
(ii)	<p><u>Soil stabilising agent</u></p> 	<ul style="list-style-type: none"> • Soil stabilising agent, also known as fibrobase, is a chemical bonding agent that is added into the soil to improve the strength of the soil by modifying the properties of the soil. • Fibrobase is typically used in soft ground, especially in rural areas and areas which require high-load capacity (such as airport runways, highways, high traffic roads). Fibrobase will increase the strength and stability of the road.
(iii)	<p><u>PVC sheet pile</u></p> 	<ul style="list-style-type: none"> • PVC sheet piles, also known as fibropile, are manufactured from PVC and are used as an alternative to steel sheet piling and concrete sheet piling because of their lightweight, non-corrosive and UV-resistance properties. • Fibropiles are installed in water to act as structures (e.g. seawalls, tide walls, jetties, groins, scour protection and retaining walls) and to control water movement (e.g. riverbank walls, waterways, water diversions, retention ponds and flood walls).
(iv)	<p><u>Woven geotextile</u></p> 	<ul style="list-style-type: none"> • Woven geotextiles are manufactured from polyester and PP which are woven together to produce a high strength and low elongation fabric. • Woven geotextiles are widely installed on ground as a separator to prevent the mixing of materials and as a reinforcement layer to prevent differential settlement.
(v)	<p><u>Non-woven geotextile</u></p> 	<ul style="list-style-type: none"> • Non-woven geotextiles are manufactured from polyester and PP fibres which are needle-punched to produce a strong, flexible fabric. • Non-woven geotextiles are versatile and can be installed in many places (i.e above ground and below ground) as a filter to allow for water drainage, as a separator to prevent the mixing of materials and as a reinforcement layer to improve soil stability.

2. BUSINESS OVERVIEW

Products		Description
(vi)	<p><u>Geotextile tubes</u></p> 	<ul style="list-style-type: none"> • Geotextile tubes are manufactured from high strength woven geotextiles to form a cylindrical-shaped product and are typically installed with a scour apron as a breakwater, dewatering or coastal protection system.
(vii)	<p><u>Geogrid</u></p> 	<ul style="list-style-type: none"> • Geogrids are manufactured from polymer-coated plastic polyester yarns to produce flexible, high-tensile meshes and straps. • Geogrids are installed on slopes as a retaining wall system and on grounds to reinforce the surface. • Geogrids are also known as soil reinforcement geogrids and ground reinforcement geogrids.
(viii)	<p><u>High strength geocomposite</u></p> 	<ul style="list-style-type: none"> • High-strength geocomposites are manufactured from high-strength polyester yarns knitted with polyester or PP needle-punched non-woven geotextiles. • High-strength geocomposites are engineered for the combination of separation, filtration and reinforcement applications. High-strength geocomposites are typically installed at retaining walls or under embankments. • High-strength geocomposites are also known as soil reinforcement geocomposites.
(ix)	<p><u>Hydroseeds</u></p> 	<ul style="list-style-type: none"> • Hydroseeds are a combination of fertilisers, slurry, seeds and mulch that is used in a planting process known as hydroseeding. This process is a complementary application for use with the erosion control blankets for vegetation growth. This process is more effective, installation-friendly and has deeper roots, compared to the conventional planting process.
(x)	<p><u>HDPE geomembrane</u></p> 	<ul style="list-style-type: none"> • HDPE geomembranes are manufactured from HDPE and are typically installed as liners for ponds and tanks to prevent contaminants from seeping into and out of the ponds or tanks.

2. BUSINESS OVERVIEW



Products		Description
(xi)	<p><u>Geosynthetic clay liner</u></p> 	<ul style="list-style-type: none"> • Geosynthetic clay liners consists of two layers of geotextile filled with sodium bentonite in between and needle-punched together to form a thick layer of composite blanket. • Geosynthetic clay liners are typically installed as a lining for landfills to prevent contaminants from seeping into the ground. Geosynthetic clay liners can also be installed as a cover for groundwater protection and lining for ponds, to prevent seepage of liquid from either sides of the liner. • Geosynthetic clay liners are also known as geocomposite clay liners.

2.5.4 Other products

We also provide other products whenever required by our customers, detailed out as follows:

Products		Description
(i)	<p><u>Erosion control mat</u></p> 	<ul style="list-style-type: none"> • Erosion control mats are a flexible, lightweight 3D polymer mat. • Erosion control mats are installed on slopes to reduce soil erosion and surface wash-offs, and promote vegetation growth.
(ii)	<p><u>Grass paver</u></p> 	<ul style="list-style-type: none"> • Grass pavers are manufactured from PP. • Grass pavers are typically used in the construction of grass or gravel access pathways to increase the bearing capacity of the ground and to promote vegetation.
(iii)	<p><u>Drainage cell</u></p> 	<ul style="list-style-type: none"> • Drainage cells are manufactured from 100% recycled plastic to produce a strong, rigid and lightweight drainage panel in honeycomb design. • Drainage cells are typically installed on building platforms and rooftops on top of a waterproof layer to allow for filtration to prevent excessive water from ponding.

2. BUSINESS OVERVIEW

Products		Description
(iv)	<p><u>Modular tank</u></p> 	<ul style="list-style-type: none"> • Modular tanks are subsurface water infiltration storage tanks for storm water control and management system. Modular tanks can be stacked and interlocked with other modular tanks to form a larger single structure. • Modular tanks are typically installed under-ground to allow on-site natural water infiltration and at the same time harvest infiltrated rain-water for other purposes.
(v)	<p><u>Hydromulch</u></p> 	<ul style="list-style-type: none"> • Hydromulch, is a special mixture of slurry, seeds and mulching materials for high germination and growth establishment on slope. • Hydromulch is commonly used at bare slopes for vegetation and erosion control.

Note:

Erosion control mats, grass pavers, drainage cells, modular tanks and hydromulch are third-party products.

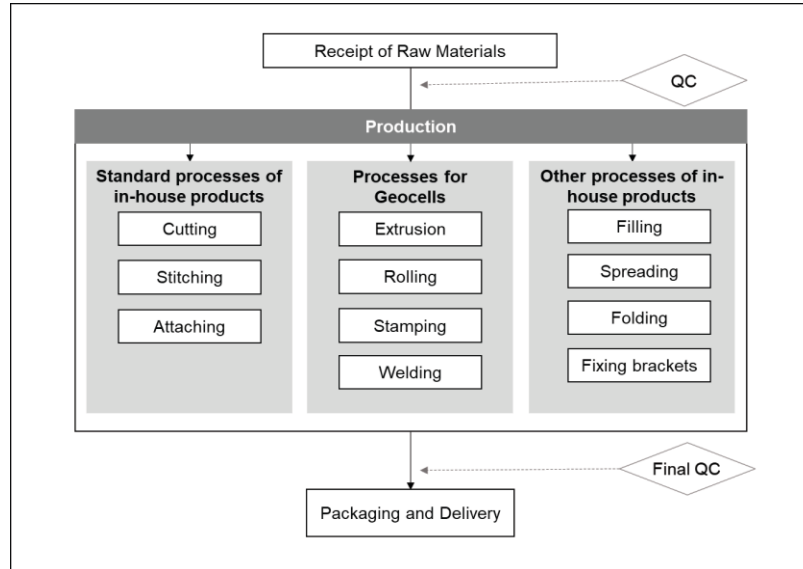
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2. BUSINESS OVERVIEW

2.6 Our Operational Processes and Facilities

2.6.1 Manufacturing of in-house products

The typical process flow for our Group's manufactured erosion control products is as depicted below:



The production processes for in-house manufactured erosion control products are as follows:

(i) **Receipt of raw materials**

- Upon receipt of raw materials, a QC inspection will be carried out to ensure that the specifications of the raw materials are as per the purchase order and free from defects.

(ii) **Production**

- Our production comprises separate manufacturing lines of each in-house manufactured product. Therefore, raw materials undergo a specific sequence of different production processes based on the type of product that is manufactured. However, most of our products go through standard processes which may include cutting and/or stitching at a certain point along the manufacturing line. These products include erosion control blankets, sand filled mattresses, geobags and silt fences.

Cutting

A process done by using our cutting machines to cut raw materials. It is typically carried out at the beginning of a manufacturing line to cut raw materials, but may also be at the end of a manufacturing line to cut the finished product according to specified customer measurements.

Depending on the product and its type of raw material, a manufacturing line may include the process of attaching in lieu of stitching. These products include green mattresses and silt curtains.

2. BUSINESS OVERVIEW

Stitching

A process done by using our stitching machines to combine two or more layers of similar materials such as geotextile and netting or to seal the ends of a material. It is typically carried out at the end of a manufacturing line to form the finished product, but may also be at the beginning of a manufacturing line to form the casing of a product such as tubes for sand filled mattresses.

Attaching

A process done manually to combine two different types of materials such as geotextile, canvas and/or wire-mesh. Materials are attached using accessories such as C-clip rings and/or polyester webbing.

- Our production also includes specific processes to manufacture our geocell product, which is formed by melting resin to form plastic. These processes comprise extrusion, rolling, stamping and welding.

Extrusion

A process where raw materials (i.e. resin) will be fed into a plastic extrusion machine to be melted.

Rolling

A process carried out upon melting of the resin. The plastic melt will pass through a set of rollers for it to be simultaneously cooled and formed into thin plastic sheets. These rollers are interchangeable, with the option of smooth or textured surface. Smooth or textured surface is dependent on our customers' request. The plastic sheets will then pass through a set of knives to be cut to the required width.

Stamping

A process carried out upon rolling. The plastic sheets will undergo the stamping process to form holes on the sheets. The holes are necessary for on-site water filtration and vegetation growth purposes.

Welding

A process carried out upon stamping. The plastic sheets will undergo welding using an ultrasonic welding machine. Welding is typically undertaken to thermally-fuse plastic sheets together to form the finished product. 60 plastic sheets welded together will form a set of geocell.

- Besides the standard processes, the manufacturing line for coir logs also include filling.

Filling

A process that either takes place in-house or at the installation site to form the finished product. This is determined according to the type of filling method of a particular product. For coir logs, filling is done in-house, where coconut fiber is pumped before the product is tied and stored. However, filling for sand filled mattresses is done at the installation site, where there are three types of filling methods:

- (a) Pneumatic filling, where sand is blown through a flexible hose into the tubes;

2. BUSINESS OVERVIEW

- (b) Dry filling, where sand is dropped through a PVC pipe into the tubes and then compacted by a rammer to form compacted sand ballast; and
- (c) Wet filling, where sand is dropped through a PVC pipe into the tubes and then washed down by a water jet to form compacted sand ballast.

Other processes

Other processes that may be included in a manufacturing line, depending on the type of product, are spreading, folding and fixing brackets.

At every stage of the manufacturing line and its respective processes, QC is conducted on a sample on an hourly basis.

The processes for erosion control products which are manufactured by our appointed third-party manufacturers are as follows:

(i) **Outsourced manufacturing**

- The product specification will be communicated to our appointed third-party manufacturers.

(ii) **Assembly**

- Upon receipt of materials that were outsourced for fabrication, a QC will be conducted to ensure that the materials are free from defect. Thereafter, the materials will be assembled to form the final product. Materials are assembled through value added services such as stitching, installation of steel bars and spooling.

Upon receipt of the final erosion control product which is either manufactured in-house or by our appointed third-party manufacturers, the processes of final QC, packaging and delivery are performed.

(iii) **Final QC**

- After the products have been manufactured or assembled, random finished products will undergo a final QC inspection using various laboratory testing equipment.

(iv) **Packaging and delivery**

- The finished products will then be packed, depending on the product, into boxes, bundles or pallets, for delivery to our customers or installation site.

2.6.2 Design and installation services

The typical flow for our Group's design and installation services are as follows:

(i) **Design stage**

Upon receipt of the site information report of such projects, our design engineers will assess, plan and propose optimal and cost-effective solutions utilizing products that we market to customers to best suit the environment. Drawings will be prepared together with the product specifications and submitted to the customer. A Bill of Quantity ("BQ") will also be submitted to the customer together with the scope of works that needs to be carried out by our Company.

2. BUSINESS OVERVIEW

Once the proposed design has been accepted by the customer, we will proceed to the next stage, i.e. project costing/bidding.

(ii) **Receipt of Letter of Award**

Once the bid for a project has been successfully secured, the Group will receive a letter of award from the customer (“**Letter of Award**”). Upon receipt of the Letter of Award, the sales/marketing representative shall review the terms and to ensure that it is based on the terms as stated in the bidding process.

(iii) **Site inspection visit**

The site visit shall be conducted by our Project Manager, or his representative and the Senior Technical Manager, where necessary. It is imperative for an inspection of the site to be performed in assessing the site conditions before the acceptance of the Letter of Award. The site visit will allow us to assess the duration of the contract based on the site conditions. This is to ensure that there are no hidden costs involved due to site conditions which were not estimated for during the bidding process.

(iv) **Acceptance of Letter of Award**

Upon acceptance of the Letter of Award, our Project Manager shall call for a project meeting to plan and allocate the resources before the commencement of the project. Once the commencement date is determined by the Project Manager, it will be conveyed to the customer.

In addition to the above, the sales/marketing representative shall make arrangement with the Finance Department of the Company, for the bank guarantee and/or performance bond, if any.

(v) **Appointment of sub-contractors**

Where applicable, the Contract Department will identify sub-contractors for the project and duly recommend the selected ones for the management’s decision. All sub-contractors awarded shall be issued with a letter of appointment duly prepared by the Contract Department and acknowledged by the individual sub-contractor.

(vi) **Project claims**

When a project has commenced, contracts are to be submitted on a timely basis. As soon as a project has been secured, all the pricing for the project must also be forwarded by the Administration Department to the Finance Department. As a procedure, all progress claims are to be submitted on a monthly basis based on the dates provided in the Letter of Award.

(vii) **Monitoring of projects**

It is our practice that all projects are monitored closely. The bid quantity and timeline is properly documented and a copy will be given to the General Manager and Site Manager/Supervisor so that the progress of the project can be monitored. In the event that the project timeline is delayed or there is any deviation in costs or quantity of material used from the project cost, it must be brought to the attention of the management.

2. BUSINESS OVERVIEW

(viii) Status updates

It is important to react promptly in the event of circumstances that occur beyond our control and will cause delay in completion of projects. By closely monitoring such causes, we have the options to claim for idling time and extension of tenure (“EOT”) when necessary.

(ix) Variation orders

Any work not specified in the Letter of Award must be supplemented by a variation order. The variation order must be duly signed by the customer with all the terms and conditions accepted by management.

(x) Completion of projects

Upon completion of the projects, notice shall be given officially to the relevant customer and a request for final inspection shall be conducted. The final inspection form shall be signed by our representative and a representative from the customer.

Once the form has been duly signed, the final claim form shall be submitted to the Contracts Department to prepare the final claim and the tax invoices shall be raised once the final claim has been certified.

(xi) Certificate of Practical Completion (“CPC”)

Once a project has been completed, it is important for the Contract Department to follow up on the CPC or written clearance on the projects completion, issued by our customers, immediately. The date of the practical completion is also important for contractual purposes with the sub-contractors, of which, the date needs to be confirmed with them concurrently after the works have been completed.

Upon completion of the work on site for the relevant project, the customer will usually release the first moiety of payment.

2.7 Our Quality Control and Assurance

As a testament to our on-going commitment to quality, we have been awarded the following accreditations:

No.	Standard	Awarding Body	Year First Awarded	Current Validity Period	Scope of Certification
(i)	ISO 9001: 2015 (Quality management system)	Global Group of Companies Limited, United Kingdom	2006	2 February 2018 – 24 January 2021	Manufacture of erosion control and geosynthetic products
(ii)	ISO 14001: 2004 (Environmental management system)	Global Group Asia Pacific Pte. Ltd., Singapore	2013	4 October 2018 – 26 September 2021	Manufacture of erosion control products

2. BUSINESS OVERVIEW

No.	Standard	Awarding Body	Year First Awarded	Current Validity Period	Scope of Certification
(iii)	ISO/IEC 17025 (Testing and calibration laboratories)	Laboratory Accreditation Scheme of Malaysia	2018	26 November 2018 – 26 November 2021	Technical competence requirement for testing and calibration laboratories

2.8 Our Research and Development

R&D is an important aspect of our business. We are constantly exploring and keeping up with the growth in technology and its potential applications. Our R&D activities are carried out by our R&D team comprising 3 personnel. We recognise the importance of R&D to ensure we remain competitive in sustaining our continuous growth.

Our R&D policies are:

- (i) Accuracy and timeliness in conducting development and testing activities that comply with specific customer test requirements;
- (ii) Continuous development of new and improved products within specified time frames; and
- (iii) Enhancement of staff knowledge through competency training and evaluation.

Our R&D projects for the last three (3) FYEs are as follows:

Product/Solution	Description	Year commenced research	Year of Completion
Composite weed control mat	Introduced a two-layer biomass/geotextile product for agriculture and slope protection usage	2015	2016
Fibrocell	Improved fibrocell performance through the use of recycled materials over virgin materials with different mixture proportion	2016	2016
Slope fastener contraption	Introduced slope fasteners to secure the positioning of products for better performance and ease of installation	2016	2017
Upgrade of erosion control blanket machine	The addition of a cyclone dust collector to the erosion control blanket machine	2016	2017

2. BUSINESS OVERVIEW

Product/Solution	Description	Year commenced research	Year of Completion
Woven geotextile	Introduced in-house woven geotextile manufacturing for the purpose of manufacturing sample products to be provided to our third-party manufacturers of woven geotextiles	2016	2017
Improvement of stitching process	Introduced positioning steel plate to improve stitching speed and quality for silt curtain production	2017	2018

We have incurred R&D expenses in the past, including expenses that have led to the development of our current products. Our R&D expenses recorded for the FYE 31 December 2016 was RM133,000. However, there is a slight drop in our R&D expenses for the FYE 31 December 2017 to RM120,400, which represents a slight decrease of 0.05% in the R&D expenses of the total revenue for the FYE 31 December 2017.

	FYE 31 December				FPE 31 August 2018	
	2016		2017		RM'000	%
	RM'000	%	RM'000	%		
R&D Expenses	133	0.30	120	0.25	99	0.28
Total Sales Revenue	44,249	100.00	48,221	100.00	35,784	100.00

2.9 Our Competitive Advantages and Key Strengths

2.9.1 We have a wide range of erosion control products to cater to our customer demands as well as to meet the requirements of different projects

Our Group designs and manufactures a wide range of erosion control products. This wide range of products allows us to serve the different needs of customers as well as provides us with the flexibility to alter our product mix based on project requirements.

We are capable of supplying different products for a similar type of application and erosion control solution such as slope stabilisation, river embankment protection, retaining walls and sediment control. However, each product has different design and different technical specifications that can cater to specific conditions and requirements of a site or project.

For example, we offer products such as, amongst others, erosion control blanket, geocell and fibrodex for slope stabilisation. These products are applied according to the nature of a particular slope such as surface area, surface roughness, soil condition and vegetation. Slopes with a wide surface area and better soil condition typically require the installation of a natural product which is the erosion control blanket. Slopes with a rocky surface and are unvegetated typically requires the installation of a synthetic product such as geocell or fibrodex for soil confinement.

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2. BUSINESS OVERVIEW

Similarly, we offer a range of products for other applications which includes, among others, the following:

Application	Product
(i) River embankment protection	<ul style="list-style-type: none"> • Turf reinforcement mattress • Sand filled mattress • MSE gabion wall • Gabion • Geobag • PVC sheet pile
(ii) Retaining wall	<ul style="list-style-type: none"> • Omega retaining wall • Geogrid wall • Gabion
(iii) Liquid/waste water containment	<ul style="list-style-type: none"> • Geosynthetic clay liner • HDPE geomembrane
(iv) Ground improvement	<ul style="list-style-type: none"> • PVD • High strength geocomposite • Non-woven geotextile • Fibrobase
(v) Sediment/turbidity control	<ul style="list-style-type: none"> • Silt fence • Silt curtain

Our diversified capabilities and wide range of products allow us to target a large customer base and to participate in a wide range of projects, making us less dependent on any particular product and/or customer. It also enables our Group to be flexible in adapting to changing customer needs and demands.

2.9.2 We have the ability to provide erosion control solutions across a diverse range of construction segments

We offer our erosion control solutions to multiple segments of the construction industry, namely residential and commercial buildings, infrastructure development, land reclamation, road construction, soil stabilisation, landscaping, and river and coastal protection. We have undertaken projects and supplied our products to all of the segments above.

The expertise and experience gained from the wide range of projects undertaken will continue to provide our Group with the credentials to participate in a wide range of projects in the future, while giving us the flexibility to be selective in bidding for projects that yield higher profitability. Further, our versatility also reduces the risk of reliance on the performance of any one particular construction segment.

Coupled with our wide range of erosion control products, our diversified capabilities across various segments of the construction sector makes us an erosion control solutions provider that caters a comprehensive range of products. The depth of our product range and breadth of industry segments covered gives us the flexibility and robustness to react to changing customer demands and market conditions.

2. BUSINESS OVERVIEW

2.9.3 We have 20 years of experience in the erosion control industry including participation in notable projects and successful overseas exports

Our Group's history spans 20 years where our Group has supplied erosion control products and services to projects such as residential constructions, ground and slope repairs, highway expansions, landfill infrastructures, flood barriers and deepening of port navigation channels.

Further, we are exporting our products to Singapore, Brunei, South Korea, India, Cambodia, Vietnam, Mauritius, Indonesia and the Philippines, as well as we have exported to Taiwan and Hong Kong prior to the financial years under review, demonstrating the acceptance of our products by overseas customers.

In recognition of our Group's corporate and industry achievements, we have been awarded numerous awards and accolades over the years. Among the major awards our Group has received include the Enterprise 50 Award Programme for 2006, 2010 and 2016 by SME Corporation Malaysia and Deloitte Malaysia, Golden Bull Award 2009 by Nanyang Siang Pau, The BrandLaureate - SMEs Chapter Awards 2010 by Asia Pacific Brand Foundation, EU-Malaysia Sustainable Production Initiative (Biomass-SP) SME Recognition Award 2013 by MBIC, the Malaysia's Best Green Products & Service Company Award 2013 by The Top 10 of Malaysia magazine, the National Mark of Malaysian Brand by SME Corporation Malaysia in 2017 and the four (4) star rating according to SCORE criteria for G7 registered company for visionary leadership, efficient management and technical capabilities, compliance to best practices, innovative and integrated ICT system and project management as well as ability to export services to international market, as awarded by CIDB in 2018.

With 20 years of experience in the erosion control solutions business in Malaysia, our Group has an understanding and knowledge of the local erosion control solutions industry, including local project requirements, industry standards and regulations, ground and soil conditions throughout Malaysia. This experience will be critical in helping our Group to secure more projects as well as product orders for the on-going expansion of our Group.

2.9.4 We have an experienced and technically strong management team

We have an experienced and technically strong management team led by the following Executive Directors:

- (i) MD and CEO, Ng Kian Boon, has over 35 years of working experience, of which 31 years have been in the erosion control, geosynthetics and related business;
- (ii) Executive Director, Mohd Tarmim bin Sidek, has over 32 years of working experience, with 29 years in erosion control, geosynthetics and related businesses;
- (iii) Executive Director, Wong Teck Ching, has over 39 years of working experience, with 33 years in the erosion control, geosynthetics and related businesses; and
- (iv) Executive Director, Ng Chun Hou, has over 7 years of working experience, with 7 years in erosion control business.

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2. BUSINESS OVERVIEW

Our Executive Directors are supported by the following management team, who collectively, have exposure across a broad spectrum of business activities, including engineering, operations, sales and marketing and finance. Our key senior management and technical personnel team are as follows:

Name	Designation	Total number of years of working experience
Loo Pak Soon	Chief Operating Officer	35
Har Lian Yoon Kim	Senior Technical Manager	34
Nadiah Firdaus binti Mohd Firdaus	Senior Finance Manager/ Company Secretary	13
Wong Kean Hoong	Senior Sales Manager	10
Tan Kar Eng	Design Manager	29

Since our inception, we have built an established reputation in the industry through our management's experience and expertise and have the ability to provide quality products and consistent levels of customer service. The experience and expertise of our management team enable us to sustain our future growth and improve the overall financial performance of our Group. Please refer to Section 3.2 of this Information Memorandum for further details on the profiles of our Directors and key management personnel.

2.9.5 Our Group's certifications demonstrate our commitment to product quality as well as quality control

Our Group's commitment to product quality and quality control is reflected by our compliance with the ISO 9001:2008 QMS certification and ISO 14001: 2004 EMS for the manufacture of erosion control products. Our ISO certifications attest to our emphasis on quality control, traceability, consistency and reliability throughout the organization. It also provides our customers with assurance and confidence that our product quality and quality control adhere to internationally recognised quality compliance standards and processes.

Our Group has obtained the ISO/IEC 17025 certification for our R&D laboratory, which recognised the Group as competent in carrying out testing and sampling of erosion control products. Our R&D laboratory, located in our Rasa Factories, is intended to carry out testing of our own erosion control products and for third-party products. Our commitment in providing these services, along with obtaining the certification, is a testament of our Group's commitment to product quality and quality control standards. In order to conduct our testing services, we have invested in one (1) universal testing machine and one (1) tensile machine as well as other equipment such as thickness gauge, cone drop, water permeability, electronic shaker for sieving purposes and discharge capacity tester.

Presently, the testing of our products are carried out at our in-house R&D laboratory as well as by third-party accredited laboratories.

Our compliance to internationally recognised quality, standards and continuous commitment towards enhancing our technical competencies through active R&D activities have been instrumental in strengthening our reputation within the industry, continue supporting our Group's future growth and expansion.

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2. BUSINESS OVERVIEW

2.9.6 We have proven manufacturing capability

In our Group's 20 years in the erosion control industry, we have manufactured the following erosion control products:

- (i) Erosion control blanket;
- (ii) Turf reinforcement mattress;
- (iii) Coir log;
- (iv) Sand filled mattress;
- (v) Geocell;
- (vi) Geotextile sand container;
- (vii) Gabion and green mattress;
- (viii) MSE gabion wall;
- (ix) PVD;
- (x) Silt fence;
- (xi) Silt curtain; and
- (xii) Wire-mesh container

Through our experience and industry know-how, we have manufactured and improved products that are relevant to the erosion control industry in Malaysia. These products were manufactured based on the construction requirements in Malaysia as well as ground and soil conditions prevalent in the country.

Our R&D team was established in 2014 to formalise our R&D initiatives and activities, and we have since increased the number of new products developed. Through our R&D team, our Group will continue to focus on product development and improvement to ensure our on-going sustainability and future growth.

2.10 Our Business Strategies and Future Plans

The following strategies have been identified to strengthen our position in the erosion control solutions industry in Malaysia and to strengthen and capture future growth opportunities:

- (i) We will continue to enhance our position in the erosion control solutions industry in Malaysia

We will continue our focus in the erosion control solutions industry in Malaysia where our growth prospects are promising due to the anticipated construction industry growth, particularly in infrastructure projects.

According to the Independent Market Research Report by Smith Zander, between 2013 and 2017, the erosion control industry in Malaysia illustrated a CAGR of 0.55%, growing from RM452.89 million in 2013 to RM462.90 million in 2017. Moving forward, the growth of the industry is expected to be driven by the growth in construction activities which will be spurred by positive

2. BUSINESS OVERVIEW

economic developments that lead to increase in business activities and average income of the population.

According to the Independent Market Research Report by Smith Zander, we had an industry revenue share of 10.42% in 2017 based on the erosion control solution industry size in Malaysia of RM462.90 million in 2017 and our revenue for the FYE 31 December 2017 of RM48.22 million.

As erosion control solutions are required in infrastructure projects, the construction of highways and railways will create significant opportunities for our Group. As at the LPD, our Group has already participated or supplied products to the following projects:

- North-South Expressway
- Kuala Lumpur-Kuala Selangor Expressway (LATAR)
- Pan-Borneo Highway
- KL-Karak Highway
- East Coast Expressway
- Mass Rapid Transit (MRT)
- East Coast Rail Line (ECRL)
- River of Life (Sungai Bonus, Kuala Lumpur)
- Kelau Dam, Pahang

Moving forward, we will continue to focus on expanding our market presence in Malaysia, including securing more projects spurred by the Government's infrastructure construction projects.

(ii) We intend to expand into in-house design and installation services of PVDs

PVDs are manufactured from PP and/or PE core wrapped in a layer of non-woven geotextile and are installed on soft ground in construction sites to quicken the consolidation of the ground. This will result in reduction of construction time in a construction project.

We offer design and installation services of PVDs which include the supply and installation works of PVD at our customers' site via sub-contracted services. The contribution from PVD installation works amounted to 19.73% and 13.02% of our revenue for the FYE 31 December 2016 and FYE 31 December 2017, respectively.

In April 2018, we commenced the trial run for the manufacturing of our own PVD products. Prior to manufacturing our in-house PVDs, we supplied third-party PVDs to our customers. We have invested approximately RM800,000 in machinery to manufacture PVDs and has commenced manufacturing in the 3rd quarter of 2018.

Along with the manufacturing of PVDs, we also intend to provide in-house design and installation services of PVDs. The total value of our sub-contracted PVD installation works for the FYE 31 December 2016 and FYE 31 December 2017 were RM5.33 million and RM6.43 million respectively. With the provision of in-house design and installation services of PVDs, we will be able to reduce our reliance on third-party contractors and potentially improve our profit margin.

2. BUSINESS OVERVIEW

(iii) We will continue to expand our business in the provision of design and installation services

We commenced manufacturing of erosion control products in 1999. In 2014, we embarked on the provision of design and installation services. Thus, we have become an erosion control solutions provider that can cater to customer needs, beginning with the project design of suitable erosion control solutions to the supply and installation of erosion control products.

As part of our expansion plans and to continue the growth of our Group's profitability, we intend to focus and further expand our business in the provision of design and installation services, as it yields good profit margins as well as promoting usage of our manufactured and trading products, which had contributed to the increase in our Group' revenue. Please refer to Sections 5.2.2 and 5.2.4 of this Information Memorandum for further details on our Group's segmental revenue and profit margin contribution, respectively, from design and installation services.

We believe that our focus and expansion on design and installation services will enable our Group to further increase our profit margins, thereby enhancing our Group's overall sustainability and financial performance. It will also allow us to become more competitive in both the local and regional markets.

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2. BUSINESS OVERVIEW

2.11 Types, Sources and Availability of Raw Materials and Supplies

Our raw materials are sourced from overseas and local suppliers. Thus far, we have not experienced any material shortages in sourcing the required materials for our operations. Furthermore, these materials are commodities which are readily available from many overseas as well as local suppliers.

The major materials, supplies and services purchased by our Group are as follows:

Type of Materials	Originating Country(s)	FYE 31 December				FPE 31 August	
		2016		2017		2018	
		RM'000	%	RM'000	%	RM'000	%
Materials							
Non-woven geotextile ⁽ⁱ⁾	Malaysia, India, Indonesia, China	5,136	19.81	3,108	9.43	2,839	9.76
Woven geotextile ⁽ⁱ⁾	South Korea, Thailand, Indonesia, China	1,224	4.72	6,213	18.85	5,415	18.62
Gabion mattress	Malaysia	229	0.88	710	2.15	150	0.52
Netting	Italy, China, Belgium	1,041	4.02	1,060	3.21	-	-
Others ⁽ⁱⁱⁱ⁾	Malaysia, China, Indonesia, South Korea, India	6,844	26.39	8,403	25.49	4,541	15.60
		14,474	55.82	19,494	59.13	12,945	44.50
Services							
Sub-contract ⁽ⁱⁱⁱ⁾	Malaysia	11,458	44.18	13,470	40.87	16,143	55.50
Total		25,933	100.00	32,964	100.00	29,088	100.00

Notes:

- (i) Figures for woven and non-woven geotextile include materials such as, sand filled mattresses, silt curtains and green mattresses;
- (ii) Other materials include, among others, rope/thread, paddy and coconut fibre and HDPE resin for manufacturing of in-house products, geogrid, seeds and trading of third party/OEM finished products; and
- (iii) Sub-contract services for our Group's projects include payment for labour, machinery and project material cost.

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2. BUSINESS OVERVIEW**2.12 Operation Capacity**

For the FYE 31 December 2017 and FPE 31 August 2018, our Group's annual production capacity and utilisation levels are set out below:

Machine	Unit of Measurement	FYE 31 December 2017			FPE 31 August 2018		
		Production Capacity	Actual Production	Utilization Rate (%)	Production Capacity	Actual Production	Utilization Rate (%)
Erosion control blanket machine	roll	25,920 ⁽ⁱ⁾	10,707	41.3	17,280	8,250	47.7
Sandfilled stitching machine 1	square meter	225,000 ⁽ⁱⁱ⁾	25,185	11.2	150,000	17,622	11.7
Sandfilled stitching machine 2	square meter	225,000 ⁽ⁱⁱ⁾	17,839	7.9	150,000	7,366	4.9
Coir log machine	roll	4,680 ⁽ⁱⁱⁱ⁾	217	4.6	3,120	27	0.9
Stitching machine – silt curtain	set	1,248 ^(iv)	920	73.7	390	171	43.8
Stitching machine – geobag	pieces	46,800 ^(v)	32,728	69.9	31,200	18,660	59.8
Stitching machine – reinforced geobag	pieces	18,720 ^(vi)	2,444	13.1	12,480	160	1.3
HDPE Extruder machine (Normal)	pieces	228,528 ^(vii)	143,112	62.6	152,352	21,170	13.9
HDPE Extruder machine (Textured)	pieces	228,528 ^(vii)	-	-	152,352	-	-
Ultrasonic welding machine 1	set	3,375 ^(viii)	1,512	44.8	2,250	792	35.2
Ultrasonic welding machine 2	set	3,375 ^(viii)	934	27.7	2,250	88	3.9
Stamping machine	pieces	225,000 ^(ix)	156,859	69.7	150,000	54,018	36.0
Plastic extrusion machine 1 - PVD	meter	-	-	-	4,416,000 ^(x)	85,800	1.9
Plastic extrusion machine 2 - PVD	meter	-	-	-	4,416,000 ^(x)	256,100	5.8
Plastic extrusion machine 3 - PVD	meter	-	-	-	4,416,000 ^(x)	752,400	17.0

2. BUSINESS OVERVIEW

Notes:

- (i) *Calculated based on an average process cycle of 12 rolls per hour with a daily seven and a half (7.5)-hour shift for 24 working days per month for the year ended.*
- (ii) *Calculated based on an average process cycle of 100 square meters per hour with a daily seven and a half (7.5)-hour shift for 25 working days per month for the year ended.*
- (iii) *Calculated based on an average process cycle of 2 rolls per hour with a daily seven and a half (7.5)-hour shift for 26 working days per month for the year ended.*
- (iv) *Calculated based on an average process cycle of 0.25 sets per hour with a daily sixteen (16)-hour shift for 26 working days per month for the year ended.*
- (v) *Calculated based on an average process cycle of 20 pieces per hour with a daily seven and a half (7.5)-hour shift for 26 working days per month for the year ended.*
- (vi) *Calculated based on an average process cycle of 8 pieces per hour with a daily seven and a half (7.5)-hour shift for 26 working days per month for the year ended.*
- (vii) *Calculated based on an average process cycle of 34.5 pieces per hour with a daily 23-hour shift for 24 working days per month for the year ended.*
- (viii) *Calculated based on an average process cycle of 1.5 sets per hour with a daily seven and a half (7.5)-hour shift for 25 working days per month for the year ended;*
- (ix) *Calculated based on an average process cycle of 100 pieces per hour with a daily seven and a half (7.5)-hour shift for 25 working days per month for the year ended.*
- (x) *Calculated based on an average process cycle of 1,000 m per hour with a daily twenty-three (23)-hour shift for 24 working days per month for the year ended.*

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2. BUSINESS OVERVIEW

2.13 Employee Segmentation

As at the LPD, our Group has a total workforce of 69 employees, of which all are full time and permanent employees. As at the LPD, we do not have any foreign employees. None of our employees belongs to any trade unions and there has been no industrial dispute since we commenced operations.

A summary of our Group's total workforce by job functions as at 31 December 2017 and as at LPD is set out below:

Department	Average number of employees				
	As at 31 December 2017			As at LPD	
	Permanent employees	Contract employees	Total employees	Permanent employees	Total employees
Management	5	0	5	5	5
Finance	6	0	6	7	7
Human resource and administration	8	0	8	9	9
Sales and marketing	8	0	8	10	10
Technical	2	0	2	2	2
Research and development	3	1	4	2	2
Project	10	0	10	6	6
Production	28	0	28	28	28
Total	70	1	71	69	69

2.14 Major Customers

Our Group's top five (5) customers for the past two (2) FYE 31 December 2016 and FYE 31 December 2017 and FPE 31 August 2018, are as follows:

Top Five (5) Customers	FYE 31 December 2016		Products and Services	Length of Business Relationship (years)
	(RM'000)	%		
JFA Jaya Sdn Bhd	6,069.10	13.72	Trading, design and installation services	4
Euroland	5,054.50	11.42	Design and installation services	4
Hakikat Engineering Sdn Bhd	2,666.52	6.03	Trading, design and installation services	3
China Communications Construction Company (M) Sdn Bhd	2,334.42	5.28	Trading and manufacturing	3
Boon Seng (Kuching) Sdn Bhd	2,203.36	4.98	Trading, manufacturing, design and installation services	7
Total	18,327.90	41.43		
Total sales revenue	44,249.96	100.00		

2. BUSINESS OVERVIEW

Top Five (5) Customers	FYE 31 December 2017		Products and Services	Length of Business Relationship (years)
	(RM'000)	%		
Newbridge Synergy Sdn Bhd	5,619.20	11.65	Trading, design and installation services	2
JFA Jaya Sdn Bhd	3,742.14	7.76	Trading, design and installation services	4
Boon Seng (Kuching) Sdn Bhd	2,313.06	4.80	Trading, manufacturing and design and installation services	7
Hakikat Engineering Sdn Bhd	1,710.09	3.55	Trading, design and installation services	3
See Song & Sons Sdn Bhd	1,371.55	2.84	Trading, design and installation services	3
Total	14,756.04	30.60		
Total sales revenue	48,221.42	100.00		

Top Five (5) Customers	FPE 31 August 2018		Products and Services	Length of Business Relationship (years)
	(RM'000)	%		
Newbridge Synergy Sdn Bhd	8,000.71	22.36	Trading, design and installation services	2
Excel Alliance Project Sdn Bhd	1,776.09	4.96	Trading, design and installation services	2
Casa Hartamas Sdn Bhd	1,583.99	4.43	Trading	5
Samling Resources Sdn Bhd	1,426.18	3.99	Trading and manufacturing	2
Aktif Unggul Sdn Bhd	1,284.55	3.59	Trading, design and installation services	2
Total	14,071.52	39.32		
Total sales revenue	35,784.26	100.00		

We have secured orders and contracts from land reclamation, road construction, railway construction, river and coastal protection, soil stabilisation and landscaping projects for the past two (2) FYEs. We have secured 23 and 42 contracts for the FYE 31 December 2016 and FYE 31 December 2017, respectively, from numerous customers that are involved in various construction sectors.

Premised on the above, we do not have any dependencies on any major customers in our business.

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2. BUSINESS OVERVIEW

2.15 Major Suppliers and Sub-Contractors

Our Group's top five (5) suppliers and sub-contractors for the past two (2) FYE 31 December 2016 and FYE 31 December 2017 and FPE 31 August 2018, are as follows:

Top Five (5) Suppliers	FYE 31 December 2016		Products and Services	Length of Business Relationship (years)
	(RM'000)	%		
Grand Flame Sdn Bhd	5,325.13	20.53	PVD sub-contractor	4
Nonwoven Product Industries (M) Sdn Bhd	4,729.03	18.24	Nonwoven geotextile	13
Daeyoun Geotech Co., Ltd	1,601.89	6.18	Woven geotextile	7
Besbumi Resources Sdn Bhd	1,251.58	4.83	Accessories supply (LDPE tubing) & transportation	10
Wil-Key International Sdn Bhd	1,243.15	4.79	HDPE geomembrane sub-contractor	10
Total	14,150.78	54.57		
Total purchases	25,933.31	100.00		

Top Five (5) Suppliers	FYE 31 December 2017		Products and Services	Length of Business Relationship (years)
	(RM'000)	%		
Grand Flame Sdn Bhd	6,430.90	19.51	PVD sub-contractor	4
Daeyoun Geotech Co., Ltd	5,400.62	16.38	Woven geotextile	7
Nonwoven Product Industries (M) Sdn Bhd	2,930.01	8.89	Nonwoven geotextile	13
Wil-Key International Sdn Bhd	1,591.31	4.83	HDPE geomembrane sub-contractor	10
Oracle Tank Engineering Sdn Bhd	1,551.54	4.71	Tank lining sub-contractor	3
Total	17,904.38	54.32		
Total purchases	32,964.12	100.00		

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2. BUSINESS OVERVIEW

Top Five (5) Suppliers	FPE 31 August 2018		Products and Services	Length of Business Relationship (years)
	(RM'000)	%		
Nonwoven Product Industries (M) Sdn Bhd	3,866.83	13.29	Nonwoven geotextile	13
Daeyoun Geotech Co., Ltd	2,764.87	9.51	Woven geotextile	7
Axis Enigma Sdn Bhd	2,738.31	9.41	Sheet Pile and Steel	2
Daejung Company, Ltd	2,675.53	9.20	Woven geotextile	5
Grand Flame Sdn Bhd	2,662.79	9.15	PVD sub-contractor	4
Total	14,708.33	50.56		
Total purchases	29,088.00	100.00		

Our top five (5) suppliers comprise suppliers of non-woven geotextiles and woven geotextiles, sheet pile as well as PVD sub-contractors, of which the materials and services are widely available from local and international suppliers. As such, we are not dependent on any one of our major suppliers.

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3. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

3.1 Promoters and Substantial Shareholders

3.1.1 Shareholdings

The shareholdings of our Promoters and substantial shareholders in our Company before and after our Proposed Listing are as follows:

	Before Proposed Listing				After Proposed Listing			
	Direct		Indirect		Direct		Indirect	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
Ng Kian Boon	169,127,991	87.00	-	-	169,127,991	78.30	-	-
Wong Teck Ching	19,440,004	10.00	-	-	19,440,004	9.00	-	-
Mohd Tarmim bin Sidek	5,832,005	3.00	-	-	5,832,005	2.70	-	-

The Promoters and substantial shareholders do not hold shares that have different voting rights from our other shareholders.

Except as set out above, we are not aware of any other person(s) who directly or indirectly, jointly or severally, exercise control over us. Further, we are not aware of any arrangement of which may result in a change in control of Fibromat at a subsequent date.

3.1.2 Profiles

(i) Ng Kian Boon

Ng Kian Boon, a Malaysian, age 57, is our Promoter, substantial shareholder, MD and CEO. He was appointed to our Board on 24 October 2012 and he is responsible for overseeing the strategic business planning, development and operations of our Group.

He obtained a Master of Business Administration (Entrepreneurial Management) from Entrepreneurship Institute of Australia in 2008.

He is the founder and exco member of IECA. He is currently the Vice President of MBIC and Malaysian IGS. He is a council member of the FMM, branch committee member and Chairman of Green Technology Working Sub-Committee of Selangor FMM. He was formerly an exco member and the treasurer of Australasia IECA.

He began his career as a Technical Executive with Tai Hoe Trading Sdn Bhd in 1984, a company involved in building materials. He was involved in marketing, installation and project management. He resigned from Tai Hoe Trading Sdn Bhd in 1987. In 1988, he ventured into water tank business by setting up Linetech (M) Sdn Bhd ("Linetech"). He held the position of Managing Director of Linetech from 1988 until 1994. He remains as a director of Linetech. In 1994, he ventured into the steel business and was the Business Development Director of Westbury Tubular Structures Ltd. He left Westbury Tubular Structures Ltd in 1998.

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3. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

In 1999, he joined MTS Fibromat as the General Manager. Under his supervision, MTS Fibromat has grown from a company which offered only one product to a company which offers more than 30 products relating to soil erosion. He is responsible for identification of investment opportunities, broadening the product range, increasing market share, strategic planning, setting targets to ensure effective running of our Group. He has vast experience in erosion control products, services and solutions. In 2001, he became the MD and CEO of MTS Fibromat.

He was awarded the “Most Promising Entrepreneurship Awards” in the Asia Pacific Entrepreneurship Award 2010. In 2015, he was also accorded The Entrepreneurship Excellence Award by MBIC. In the same year, he was accorded Special Mention for the Entrepreneurship Award from the Star Outstanding Business Award (“SOBA”) organized by the STAR Media Group.

He is the father of Ng Chun Hou, who is the Executive Director of Fibromat and the General Manager of Sales & Marketing of MTS Fibromat.

(ii) Wong Teck Ching

Wong Teck Ching, a Malaysian, age 58, is our Promoter, substantial shareholder, Executive Director and Contract Director. He was appointed to our Board on 24 October 2012 and he is responsible for overseeing credit control, project claims, billings and contracts, of our Group.

Wong Teck Ching was awarded the Engineering Diploma by Federal Institute of Technology Malaysia in 1980 after he successfully completed Architectural Draughtsmanship Course in Practical and Theory.

He began his career as a draughtsman cum site co-ordinator in Architectural Design Partnership from 1980 to 1982. He switched to marketing of building materials when he joined Tai Hoe Trading Sdn Bhd as a Technical Executive in 1982. He was with Tai Hoe Trading Sdn Bhd until 1988 and his last held position was Assistant Technical Manager. He was involved in marketing and project management while at Tai Hoe Trading Sdn Bhd. He was an Executive Director of Linetech from 1988 to 2017. He remains as a director of Linetech.

In 2011, he joined MTS Fibromat as a director. He brings with him vast experience in the liquid containment and construction industry.

He is the father of Wong Kean Hoong, who is the Senior Sales Manager of MTS Fibromat.

(iii) Mohd Tarmim bin Sidek

Mohd Tarmim Bin Sidek, a Malaysian, age 53, is our Promoter, substantial shareholder, Executive Director and Business Development Director. He was appointed to the Board on 24 October 2012. He is involved in the business development of our Group with emphasis on the government sector and is responsible for liaising with governmental authorities in project procurement.

He holds a Diploma in Agriculture from University Pertanian Malaysia. He commenced his career in 1987 with Syarikat Perniagaan KADA Sdn Bhd as a landscape supervisor and resigned in 1988. He set up a sole proprietorship, MTS Construction and Trading in 1990, where he was involved in trading of construction products, landscaping, construction and tank lining. A founding member of MTS Fibromat in 1999, he has vast experience in soil erosion control sector, having assisted in building MTS Fibromat from inception to

3. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

be one of the leading local companies in soil erosion business. He participated in landscaping and tank linings for Government projects since 1991. He is also involved in marketing, project management and has established a good rapport with Government departments.

3.2 Directors and Key Management Personnel

Our directors and key management personnel are as follows:

(i) Directors

Name	Designation
Dr Fauziah binti Ahmad	Independent Non-Executive Chairman
Ng Kian Boon	MD and CEO
Wong Teck Ching	Executive Director
Mohd Tarmim bin Sidek	Executive Director
Ng Chun Hou	Executive Director

(ii) Key management personnel

Name	Designation
Loo Pak Soon	Chief Operation Officer
Nadiah Firdaus binti Mohd Firdaus	Senior Manager, Accounts & Finance
Har Lian Yoon Kim	Senior Technical Manager
Wong Kean Hoong	Senior Sales Manager
Tan Kar Eng	Design Manager

3.2.1 Profiles of Directors

(i) Dr Fauziah binti Ahmad (“Dr Fauziah”)

Dr Fauziah, a Malaysian, age 57, is our independent Non-Executive Chairman.

Dr Fauziah graduated with Bachelor of Science (Hons) in Civil Engineering from the University of Strathclyde, United Kingdom in 1985. Subsequently, she was conferred the Degree of Doctor of Philosophy for research in the Department of Civil Engineering from the same university in 1989.

Dr Fauziah began her career as a Technical Assistant in civil engineering division of Majlis Perbandaran Seberang Perai in 1983 and resigned in the same year to pursue her studies in the United Kingdom. Immediately after her studies, she became a lecturer in geotechnical engineering in Universiti Sains Malaysia from 1989 to 1996. While at Universiti Sains Malaysia, she was also a Research Officer in geotechnical engineering for the University of Oxford, United Kingdom from March to October 1991. In 1997, she was promoted as an Associate in geotechnical engineering and was subsequently promoted to her current role as Professor in 2010 in Universiti Sains Malaysia. Her scope of work includes teaching undergraduates and postgraduates, carry out research in the field of geotechnical engineering, supervision of postgraduate for the Masters and Doctor of Philosophy (“PhD”) program, publish papers through writing research papers for journals and proceedings, consultancy services for related field such as geotechnical and civil engineering and service to the community through involvement in societies and

3. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

associations, solving community problems and conduct seminars and workshops. A notable figure in the geotechnical field, her technical knowledge will benefit and provide guidance towards the growth of our Group.

(ii) Ng Kian Boon

Further details of his profile are as set out in Section 3.1.2(i) of this Information Memorandum.

(iii) Wong Teck Ching

Further details of his profile are as set out in Section 3.1.2(ii) of this Information Memorandum.

(iv) Mohd Tarmim bin Sidek

Further details of his profile are as set out in Section 3.1.2(iii) of this Information Memorandum.

(v) Ng Chun Hou

Ng Chun Hou, a Malaysian, age 29, is our Executive Director and in charge of the Sales & Marketing Division of the Group. He graduated with a Bachelor of Business Management from the University of Queensland, Australia in 2011. He joined MTS Fibromat as the Sales & Marketing Executive in 2012. He was promoted to the position of General Manager of Sales & Marketing in 2016 and is involved in sales and marketing activities, production management including quality management of MTS Fibromat. In spite of his young age, he has been instrumental in breaking new grounds through the opening of new markets, especially the export sector. This has enabled MTS Fibromat to set foot in numerous countries.

He is the son of Ng Kian Boon, a director of our Group.

3.2.2 Directors Remuneration

The aggregate remuneration and proposed Directors' remuneration including salaries, fees, allowances and other benefits from Fibromat Group, are as follows:

Remuneration band	FYE 31 December 2018	FYE 31 December 2019
	Directors	Directors
Less than RM50,000	-	1
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	2	1
RM150,001 – RM200,000	1	2
RM200,001 – RM350,000	1	1

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3. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

3.2.3 Profiles of Key Management Personnel**(i) Loo Pak Soon**

Loo Pak Soon, a Malaysian, age 56, is the Chief Operation Officer of our Group. He graduated with a Bachelor of Commerce (Honours Business Administration) from the University of Windsor, Canada in 1984. He started his career as a banker in 1984 and has 8 years of commercial and merchant banking experience working with various banks. He joined Arab Malaysian Credit Bhd as Credit Marketing Officer from 1984 to 1987, Arab Malaysian Merchant Bank Berhad as Credit Marketing Officer from 1987 to 1989, and Lee Wah Bank Limited (now United Overseas Bank (Malaysia) Berhad) as Assistant Manager from 1989 to 1990. He then joined Bank Buruh (Malaysia) Berhad (now Bank Simpanan Nasional Berhad) as Assistant Credit Manager in 1990. He was promoted to the position of Deputy Manager of the Credit Processing Department in 1991. In 1992, he left Bank Buruh (Malaysia) Berhad to join NCK Corporation Berhad as Finance Manager and was involved in the entire restructuring and listing exercise of NCK Corporation Berhad onto the then Main Board of the Kuala Lumpur Stock Exchange. He was subsequently appointed to the position of Development Manager in NCK Corporation Berhad in 1993. In 1993, he joined Powernet Industries Sdn Bhd as a Financial Controller, where he took on another restructuring and listing exercise of Ken Holdings Bhd onto the then Second Board of the Kuala Lumpur Stock Exchange in 1996. Ken Holdings Bhd subsequently transferred its listing to the then Main Board and he was the independent non-executive director from 1996 to 2006.

At Powernet Industries Sdn Bhd, he successfully assisted in turning around the company from a loss-making concern and got it listed onto the then Second Board of the Kuala Lumpur Stock Exchange as Kumpulan Powernet Bhd in 2002. He was the Executive Director and Special Assistant to the Chairman cum MD from 2002 to 2015. In 2004, he was appointed as a member of Executive Committee of Kumpulan Powernet Berhad and Chief Operating Officer of Powernet Properties Sdn Bhd while he continued to perform the function as Executive Director of Kumpulan Powernet Berhad and Special Assistant to the Chairman cum MD. From October 2015 to February 2016, he remained in Kumpulan Powernet Bhd to handover outstanding matters to the new owners and management team. He was principally involved in the financial operations and strategic planning of Kumpulan Powernet Bhd. With his vast experience in various industries and corporate experience, he joined MTS Fibromat in 2016. He assists our MD and CEO on all corporate exercises, mergers and acquisitions, operational activities, corporate governance and risks management. He is also in-charged in the factory operations, Technical & Design, Finance & Administration and Human Resource department of MTS Fibromat.

(ii) Nadiah Firdaus binti Mohd Firdaus

Nadiah Firdaus Binti Mohd Firdaus, a Malaysian, age 34, is the Senior Manager, Accounts & Finance of MTS Fibromat and also the joint Company Secretary of Fibromat Group. She graduated from Anglia Ruskin University with a Master of Business Administration (MBA). She also has a Bachelor of Accounting (Hons) from Universiti Tenaga Nasional, Malaysia (UNITEN) and Diploma in Business Studies from Universiti Teknologi MARA, Malaysia (UiTM). She is a member of Malaysian Institute of Accountants (MIA) and ASEAN Chartered Professional Accountants (ACPA).

She started her career in 2006 as an Audit Assistant with Halim Ahmad & Co. She led an audit team and was there until 2009 with her final position as Audit Semi Senior. She resigned to pursue her studies and in 2012, she joined Wan Nadzir & Co as an Auditor. After 4 years of audit experience, she joined MTS Fibromat in 2013 as an

3. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

internal audit officer and was subsequently promoted to her current position in 2015. She is responsible for all the financial matters of the Group including the Administration department.

(iii) Har Lian Yoon Kim

Har Lian Yoon Kim, a Malaysian, age 59, is the Senior Technical Manager of MTS Fibromat. He graduated with a degree of Baccalaureate in Applied Science (Civil Engineering) and a Certificate in Engineering Management from the University of Ottawa, Canada in 1984 and 1985 respectively. He was granted a license by the Association of Professional Engineers of Ontario, Canada to practice as a Professional Engineer in the Province of Ontario, Canada in 1991 and was a member of Association of Professional Engineers of Ontario, Canada. He was admitted a graduate of the Institution of Engineers, Malaysia in 1987.

He is involved in technical marketing and overlooks the design team and specifications of geosynthetic products of MTS Fibromat. He began his career as a Site Engineer from 1985 to 1986 with Bina Alam Bersatu Sdn Bhd. He joined Cahaya Pemborong Sdn Bhd as a Soil and Material Engineer from 1987 to 1988. He then joined Taisei Construction Co. Ltd, in Singapore as a Site Engineer for a short stint in 1988. He subsequently joined Lim Boon Yit Construction as a Project Engineer cum Site Agent from 1989 to 1990. He added overseas experience by working in Canada as a Project Engineer with J.L. Richard & Associates Engineering Consultants from 1990 to 1994 and Sales Leader with Primerica Financial Services in 1995. He returned to Malaysia in 1995 and joined Maccaferri Malaysia Sdn Bhd as the Technical/Marketing/Quality Manager from 1995 to 1999. He then joined Weida Marketing Sdn Bhd as Technical Manager from 1999 to 2000 and subsequently left to join Emas Kiara Marketing Sdn Bhd in 2000. He was the Senior Technical Manager in Emas Kiara Marketing Sdn Bhd from 2000 to 2011. From 2011 to 2012, he was the Senior Technical Manager of Bauberatung GEKUNSTSTOFFE, then a subsidiary of NAUE (M) Sdn Bhd.

He joined MTS Fibromat as Senior Design Manager in 2014. He had frequently given lectures to overseas engineers at Kumpulan IKRAM Sdn Bhd and Monash University Malaysia on the usage of geosynthetic materials for road constructions. He had also written papers and given talks for conferences in Malaysia and South East Asia on the usage of geosynthetic products and materials.

(iv) Wong Kean Hoong

Wong Kean Hoong, a Malaysian, age 30, is our Senior Sales Manager of MTS Fibromat. He graduated with a Diploma in Hospitality and Tourism Management from Sunway University College in 2009.

He started his career with Guidance View Sdn Bhd from 2009 to 2010 and subsequently joined Terra Interior Sdn Bhd from 2010 to 2011 and Expat Furniture Rental Sdn Bhd from 2012 to 2013. He held the position of Sales Executive in those companies. In 2013, he joined Linetech as the Sales & Project Manager. He resigned from Linetech in 2016 and joined MTS Fibromat as the Senior Sales Manager in the same year, where he is responsible for leading and managing sales operations and oversees activities of sales personnel; developing and implementing strategic marketing plans and sales plans and forecasts to achieve the objectives of our Group; identifying and developing new market opportunities and performing analysis on the performance of the sales department to ensure prompt delivery and accuracy of senior management reports.

He is the son of Wong Teck Ching, a director of our Group.

3. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

(v) Tan Kar Eng

Tan Kar Eng, a Malaysian, age 56, is the Design Manager of MTS Fibromat. He graduated from The City of University of New York, United States of America with a Bachelor of Engineering (Civil Engineering) in 1990. He started his career with Reinforced Earth Management Services Sdn Bhd as a Project Engineer from 1990 to 1995 and as a Senior Design Engineer from 1995 to 2007. From 2007 to 2016, he was the Design Manager at Reinforced Earth Malaysia Sdn Bhd. He joined MTS Fibromat in 2016 as the Design Manager. His responsibilities include the provision of technical design, development and product integration from client engagements at concept phase through to implementation. He is also responsible for managing technical risks throughout the project and ensures design quality and directives are adhered to.

3.3 Declaration by our Directors

Director	Year	Non-compliance(s)	Status
Ng Kian Boon	2016	Failure to provide a written notice to Cybertowers Berhad (385635-V) within seven (7) days in relation to interest of substantial shareholder disclosure (Form 29A) for transaction on 27 January 2016 pursuant to Section 69E(3) of the Companies Act 1965	Ng Kian Boon received a compound amounted to RM10,000, which had been duly paid and settled.

Save as disclosed above, none of our Directors:

- (i) are undischarged bankrupts nor presently subjected to any proceeding under bankruptcy laws;
- (ii) have ever been charged with, convicted of, or compounded for any offence under securities laws, corporation laws or any other laws involving fraud or dishonesty in a court of law;
- (iii) have ever had any action taken against them for any breach of the listing requirements or rules issued by Bursa Securities, for the past five (5) years; and
- (iv) have been subjected to any inquiry or investigation by any government or regulatory authority or body for the past five (5) years.

3.4 Involvement of our Promoters, Substantial Shareholders, Directors and Key Management Personnel in Business/Corporation outside our Group

Save as disclosed below, our Promoters, substantial shareholders, directors and key management personnel do not have any interest and other directorships in other Malaysian corporations or any principal business activities performed outside our Group for the past three (3) years, prior to the LPD:

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3. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT**(i) Ng Kian Boon**

No.	Company	Involvement in business activities	Principal Activities
1.	Allways Travel Network Sdn Bhd	Director/Shareholder (27.50% direct interest)	Air ticketing, reservation and conducting tours
2.	Catonic (M) Sdn Bhd	Director/Shareholder (20.00% direct interest)	General contractor in fabrication and installation of tensile fabric structures and architectural steelwork structures
3.	Containment Engineering Sdn Bhd	Director/Shareholder (50.00% direct interest)	Dormant and will be dissolved
4.	Eco Concept Sdn Bhd	Ceased to be a director upon dissolution on 13 May 2016/ Shareholder (20.00% direct interest)	Dissolved
5.	FH Hertford (M) Sdn Bhd	Ceased to be a director upon dissolution on 16 June 2017/ Shareholder (10.20% indirect interest)	Dissolved
6.	I.T.P. Engineering Sdn Bhd	Ceased to be a director upon dissolution on 16 June 2017/ Shareholder (25.00% direct interest)	Dissolved
7.	Linetech (M) Sdn Bhd	Director/Shareholder (49.99% direct interest)	Dormant and will be dissolved
8.	Skybridge East Asia Sdn Bhd	Director	On the process of striking off
9.	Westbury Tubular (M) Sdn Bhd	Shareholder (2.73% direct interest)	Dormant
10.	Evergreen Channels Sdn Bhd	Director/Shareholder (5.25% indirect interest)	Dormant and will be dissolved

Ng Kian Boon's involvement in other directorships and shareholdings outside our Group does not affect his ability to act as our MD and CEO, in view that the companies stated in items 1 and 2 above are being managed by their own respective management teams.

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3. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT**(ii) Wong Teck Ching**

No.	Company	Involvement in business activities	Principal Activities
1.	Containment Engineering Sdn Bhd	Director/Shareholder (50.00% direct interest)	Dormant and will be dissolved
2.	Eco Concept Sdn Bhd	Ceased to be a director upon dissolution on 13 May 2016/ Shareholder (20.00% direct interest)	Dissolved
3.	Evergreen Channels Sdn Bhd	Director/Shareholder (5.25% indirect interest)	Dormant and will be dissolved
4.	Impex Bio-Engineering (M) Sdn Bhd	Ceased to a director on 4 January 2017	Soil erosion and revegetation activities including consultancy and advisory
5.	I.T.P. Engineering Sdn Bhd	Ceased to be a director upon dissolution on 16 June 2017/ Shareholder (25.00% direct interest)	Dissolved
6.	Linotech (M) Sdn Bhd	Director/Shareholder (49.99% direct interest)	Dormant and will be dissolved
7.	Westbury Tubular (M) Sdn Bhd	Shareholder (1.95% direct interest)	Dormant

(iii) Mohd Tarmim bin Sidek

No.	Company	Involvement in business activities	Principal Activities
1.	Landasan Jaya Sdn Bhd (formerly known as MTS Constructions and Trading Sdn Bhd)	Ceased to be a director on 26 January 2017	Builder and contractor for construction projects
2.	MTS Fibromat Resources (M) Sdn Bhd	Ceased to be a director upon dissolution on 16 June 2017	Dissolved
3.	MTS Tech-Perkasa Sdn Bhd	Ceased to be a director upon dissolution on 16 June 2017/ Shareholder (50.00% direct interest)	Dissolved
4.	RG Construct Sdn Bhd (formerly known as MTS Chemilink (M) Sdn Bhd)	Ceased to be a director on 19 August 2016	Dormant

3. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT**(iv) Loo Pak Soon**

No.	Company	Involvement in business activities	Principal Activities
1.	Eight Review (M) Sdn Bhd	Ceased to be a director on 1 March 2016/Shareholder (50.00% direct interest)	Investment holding and a shareholder in Advance Synergy Berhad, a company involved in service business and consumer markets in variety of industries, namely, hotels and resorts, property development and travel and tours

Loo Pak Soon's interest in the company stated above does not affect his ability to act as our Chief Operating Officer.

(v) Nadiah Firdaus binti Mohd Firdaus

No.	Company	Involvement in business activities	Principal Activities
1.	Linetech (M) Sdn Bhd	Ceased to be a company secretary on 31 December 2018	Dormant

(vi) Har Lian Yoon Kim

No.	Company	Involvement in business activities	Principal Activities
1.	Newh Technology Sdn Bhd	Director/Shareholder (10.00% direct interest)	Investment holding in a company in China, namely, Wuxi Blue Sky Environment Protection Technology Ltd. Co (" Blue Sky "), a company involved in the manufacturing of gabions, which was similar to one of our products. Blue Sky has ceased its operation since 2018 and both companies will be dissolved
2.	Suntech Resources Sdn Bhd	Ceased to be a director upon dissolution on 22 July 2016/Shareholder (50.00% direct interest)	Dissolved

3. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT**3.5 Moratorium on our Shares**

In compliance with Rule 3.07 of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of 194,400,000 Shares, representing 90.00% of the enlarged issued share capital of the Company upon our Proposed Listing.

The Promoters who hold any of our Shares upon our Proposed Listing, directly or indirectly, have fully accepted the moratorium, whereby they will not be permitted to sell, transfer or assign any part of their interest in the Shares during the moratorium period, as follows:

- (i) the moratorium applies to the entire shareholdings of our Promoters for a period of twelve (12) months from the date of our admission to the Official List; and
- (ii) upon expiry of the twelve (12) months period stated above, the aggregate shareholdings of our Promoters amounting to at least 45% of the total number of issued Shares shall remain under moratorium for a period of another thirty-six (36) months.

In this respect, the moratorium shall be imposed according to the following:

Name	Shares under Moratorium for the first 12 months upon Listing ⁽ⁱ⁾		Shares under Moratorium for the next 36 months ⁽ⁱ⁾	
	No. of Shares	%	No. of Shares	%
Ng Kian Boon	169,127,991	78.30	84,563,996	39.15
Wong Teck Ching	19,440,004	9.00	9,720,002	4.50
Mohd Tarmim bin Sidek	5,832,005	2.70	2,916,002	1.35
Total	194,400,000	90.00	97,200,000	45.00

Note:

- (i) Based on our enlarged issued share capital of 216,000,000 Shares upon Proposed Listing

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4. PARTICULARS OF THE PROPOSED LISTING

4.1 Proposed Listing Scheme

Our Proposed Listing scheme entails the proposed placement of 21,600,000 Shares at an issue price of RM0.29 each, and the proposed listing of our entire 216,000,000 Shares on the LEAP Market.

4.2 Issue Price of the Placement Shares

The issue price of RM0.29 per Placement Share was determined and agreed by us and DWA Advisory, after taking into consideration the following factors:

- (i) the implied historical price-earnings multiple of approximately 10.17 times based on our combined EPS of 2.85 sen for the FYE 31 December 2017 calculated based on our combined audited PAT of RM6.16 million and our enlarged share capital of 216,000,000 Shares upon Proposed Listing;
- (ii) our historical financial track record for the FYE 31 December 2016 and FYE 31 December 2017 as summarised below;

	Audited FYE 31 December 2016 RM'000	Audited FYE 31 December 2017 RM'000
Revenue	44,249	48,221
Gross profit	13,584	11,619
PAT	5,132	6,157

- (iii) our competitive advantages and key strengths as set out in Section 2.9 of this Information Memorandum; and
- (iv) our future plans and drivers of growth as further described in Section 2.10 of this Information Memorandum.

Sophisticated Investors should note that the market price upon our Proposed Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares. You should form your own views on the valuation of our Shares. You are reminded to carefully consider the risk factors as set out in Section 7 of this Information Memorandum.

4.3 Proposed Utilisation of Proceeds

Based on the Issue Price, the estimated gross proceeds to be raised from our Proposed Placement of RM6.26 million shall accrue entirely to us, and are planned to be utilised within twelve (12) months from the date of the Proposed Listing in the following manner:

Utilisation of Proceeds				Estimated Timeframe for Utilisation upon Listing	RM'000	%
(i)	General working capital			Within 12 months	5,064	80.84
(ii)	Estimated	Proposed	Listing	Within 6 months	1,200	19.16
Total					6,264	100.00

4. PARTICULARS OF THE PROPOSED LISTING

Further details of the proposed utilisation of proceeds of our Proposed Placement are as set out below:

(i) General working capital

Approximately RM5.06 million has been earmarked to supplement the working capital requirements of our Group. The proceeds shall be used to finance day-to-day operations including the working capital requirements for our Group's future projects. The details of the usage are as follows:

Details	RM'000
Payment to subcontractors and suppliers	5,064
Total	5,064

Raw materials and subcontractor costs are our largest cost of sales item (collectively contributing 76.8% and 93.9% in the FYE 31 December 2016 and FYE 31 December 2017, respectively). The ability to increase our raw materials level and to pay our subcontractors' charges will enable us to undertake more projects which we were unable to do so in the past due to the cash flow constraint.

(ii) Estimated Proposed Listing expenses

We have allocated approximately RM1.20 million of the proceeds to be raised from the Proposed Placement for our Proposed Listing expenses. If our actual listing expenses are higher than the amount budgeted, the deficit will be funded out of the portion allocated for our general working capital requirements. Conversely, if our actual listing expenses are lower than the amount budgeted, the excess will be utilised for our general working capital requirements.

4.4 Listing on Bursa Securities

The listing of and quotation for our entire enlarged share capital on the LEAP Market is subject to the following:

- (i) approval-in-principle from Bursa Securities for the listing of the Shares; and
- (ii) the successful completion of the Proposed Placement.

Thus, we have concurrently made an application to Bursa Securities for the admission of our Company to the Official List and the listing of and quotation for our entire share capital of RM44,700,000 comprising 216,000,000 Shares on the LEAP Market and are awaiting Bursa Securities' decision on the same.

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4. PARTICULARS OF THE PROPOSED LISTING

4.5 Share Capital and Shareholding Structure

4.5.1 Issued Share Capital, Classes of Share and Ranking

Upon completion of the Proposed Listing, our issued share capital would be as follows:

	No. of Shares	Share Capital RM
Existing issued share capital	194,400,000	38,436,000
New Shares to be issued pursuant to our Proposed Placement	21,600,000	6,264,000
Enlarged issued share capital upon Proposed Listing	216,000,000	44,700,000
Issue Price per Placement Share (RM)		0.29
Market capitalization at the Issue Price upon Proposed Listing (RM)		62,640,000

As at the LPD, we have only one (1) class of shares in our Company, being ordinary shares, all of which rank pari-passu with each other. The Shares owned by our Promoters, Directors and substantial shareholders are not entitled to any different voting rights from our Placement Shares. The Placement Shares pursuant to the Proposed Placement will, when issued and fully paid for on the terms of this Information Memorandum, rank pari-passu in all respects with our other existing issued and fully paid Shares, including voting rights, liquidation rights, and rights to all dividends and distributions that may be declared subsequent to the date of allotment thereof.

Subject to any special rights attached to any shares which we may issue in the future, the holders of our Shares shall, in proportion to the number of Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions, and in respect of surplus in the event of our liquidation, in accordance with our Constitution.

At any of our general meetings, any resolution put to the vote of the meeting shall be decided on a poll. Every person who is a shareholder (other than Bursa Depository or its nominees) is entitled to attend and vote thereat or a duly authorized representative or proxy or attorney of such shareholder shall have one (1) vote for each Share held.

4.5.2 Shareholding Structure

Our shareholdings structure before and after our Proposed Listing are as set out below:

Shareholders	Before Proposed Listing		After Proposed Listing	
	No. of Shares	%	No. of Shares	%
Promoters and substantial shareholders	194,400,000	100.00	194,400,000	90.00
New Public shareholders	-	-	21,600,000	10.00
Total	194,400,000	100.00	216,000,000	100.00

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4. PARTICULARS OF THE PROPOSED LISTING

4.5.3 Purpose of our Listing

The purpose of our Proposed Listing is to:

- (i) enhance our corporate profile and stature to gain recognition through our listing status which is expected to enhance our reputation and market credibility;
- (ii) provide our Group with financial flexibility by accessing the capital market to raise funds for our future business expansion and growth;
- (iii) act as an initial step for an eventual transfer of listing to the other markets of Bursa Securities; and
- (iv) provide an opportunity for Sophisticated Investors to participate in our equity and continuing growth.

4.5.4 Undertakings in relation to the Proposed Placement

The undertakings in relation to the Proposed Placement are as follows:

- (i) We undertake to open a trust account with a financial institution licensed by Bank Negara Malaysia ("**Trust Account**") in accordance with Rule 3.10 of the Listing Requirements, where all monies received from the Sophisticated Investors pursuant to subscription of our shares will be deposited into the Trust Account jointly operated by both our Company and DWA Advisory;
- (ii) both DWA Advisory and ourselves undertake that all monies deposited in the Trust Account will not be withdrawn until the date of our Proposed Listing; and
- (iii) we undertake to repay without interest all monies received from the Sophisticated Investors if:
 - (a) our Proposed Listing does not take place within six (6) months from the date of Bursa Securities' approval for our Proposed Listing or such further extension of time as Bursa Securities may allow ("**Period**"); or
 - (b) we abort our Proposed Listing.

In such event, the monies will be repaid within fourteen (14) days from the end of the Period or the date when we notify Bursa Securities of our decision to abort our Proposed Listing. Should we fail to do so, in addition to our Company's liability, our Board shall be jointly and severally liable to repay such money with interest at the rate of 10% per annum from the end of the period or such other rate as Bursa Securities may prescribe until full refund is made.

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5. HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS THEREON

5.1 Historical Financial Information

5.1.1 Audited Combined Statement of Profit or Loss and Other Comprehensive Income

The following table sets out a summary of the audited combined statements of profit or loss and other comprehensive income for the FYE 31 December 2016 and FYE 31 December 2017, and unaudited combined financial statements of profit or loss and other comprehensive income for the eight (8) months FPE 31 August 2017 and FPE 31 August 2018 and should be read in conjunction with the "Management Discussion and Analysis" as set out in Section 5.2 of this Information Memorandum.

	Audited FYE 31 December 2016 RM'000	Audited FYE 31 December 2017 RM'000	Unaudited FPE 31 August 2017 RM'000	Unaudited FPE 31 August 2018 RM'000
Revenue	44,249	48,221	30,414	35,784
Cost of sales	(30,665)	(36,602)	(23,252)	(27,919)
Gross profit	13,584	11,619	7,162	7,865
Other income	1,293	1,513	1,201	599
Administration expenses	(4,307)	(3,314)	(2,258)	(2,237)
Other expenses	(1,898)	(2,007)	(1,406)	(1,162)
Finance costs	(820)	(807)	(569)	(832)
PBT	7,852	7,004	4,130	4,233
Tax expense	(2,720)	(847)	(333)	(405)
PAT	5,132	6,157	3,797	3,828
GP Margin (%)	30.70	24.10	23.55	21.98
PBT Margin (%)	17.75	14.52	13.58	11.83
PAT Margin (%)	11.60	12.77	12.48	10.70
Effective tax rate (%)	34.64	12.09	8.06	9.57
EPS (sen) ⁽ⁱ⁾	2.64	3.17	1.95	1.97

Note:

(i) Calculated based on our PAT divided by our share capital of 194,400,000 Shares prior to the Proposed Listing.

5.1.2 Audited Combined Statements of Financial Position

The following table sets out a summary of the audited combined statements of financial position as at 31 December 2016 and 31 December 2017, and unaudited combined statements of financial position as at 31 August 2017 and 31 August 2018 and should be read in conjunction with the "Management Discussion and Analysis" as set out in Section 5.2 of this Information Memorandum.

5. HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS THEREON

	Audited As at 31 December 2016 RM'000	Audited As at 31 December 2017 RM'000	Unaudited As at 31 August 2017 RM'000	Unaudited As at 31 August 2018 RM'000
Assets				
Non-Current Assets				
Property, plant and equipment	20,849	21,882	21,114	24,551
Investment property	-	221	-	221
Deferred tax assets	948	282	907	687
Current Assets				
Inventories	7,013	8,952	8,328	12,814
Trade and other receivables ⁽ⁱ⁾	15,666	20,143	15,348	18,917
Current tax assets	-	840	452	827
Cash and bank balances	3,307	5,348	2,756	1,774
Total Current Assets	25,986	35,283	26,884	34,332
Total Assets	47,783	57,668	48,905	59,791
Equity and Liabilities				
Equity				
Share Capital	5,000	6,500	5,000	6,500
Retained Earnings	20,428	25,585	24,225	29,413
Total Equity	25,428	32,085	29,225	35,913
Liabilities				
Non-Current Liabilities				
Borrowings	9,515	10,186	6,453	9,010
Deferred tax liabilities	-	-	-	-
Current Liabilities				
Trade and other payables	8,908	10,788	9,142	6,206
Borrowings	3,395	4,609	4,085	8,662
Current tax liabilities	537	-	-	-
Total Liabilities	22,355	25,583	19,680	23,878
Total Equity and Liabilities	47,783	57,668	48,905	59,791

5. HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS THEREON

	Audited As at 31 December 2016 RM'000	Audited As at 31 December 2017 RM'000	Unaudited As at 31 August 2017 RM'000	Unaudited As at 31 August 2018 RM'000
NA per Share (sen) ⁽ⁱⁱⁱ⁾	13.08	16.50	15.03	18.47
Gearing Ratio (times)	0.51	0.46	0.36	0.49

Notes:

- (i) Trade and other receivables comprise of:
- (a) Amount owing by a director as of 31 December 2017, which represents amount receivable arising from the issuance of ordinary shares of MTS Fibromat of RM100,000, which was subsequently settled by the director in the FYE 31 December 2018; and
- (b) Amounts owing by related parties, which comprises unsecured advances and payments on behalf of related parties, were interest free and payable upon demand in cash and cash equivalents, made by the Group, was subsequently settled by a related party after the FYE 31 December 2016 and FYE 31 December 2017.
- (ii) Calculated based on our total equity divided by our share capital of 194,400,000 Shares prior to the Proposed Listing.

5.1.3 Combined Statements of Cash Flows

The following table sets out a summary of the audited combined statements of cash flows for the FYE 31 December 2016 and FYE 31 December 2017, and unaudited combined statements of cash flows for the eight (8) months FPE 31 August 2017 and FPE 31 August 2018 and should be read in conjunction with the "Management Discussion and Analysis" as set out in Section 5.2 of this Information Memorandum.

	Audited FYE 31 December 2016 RM'000	Audited FYE 31 December 2017 RM'000	Unaudited FPE 31 August 2017 RM'000	Unaudited FPE 31 August 2018 RM'000
Operating Activities				
PBT	7,852	7,004	4,130	4,233
Adjustments for:				
Depreciation	955	1,312	852	1,027
Gain on disposal of property, plant and equipment	(149)	-	-	-
Interest expense	775	781	564	833
Interest income	(14)	(31)	(8)	(9)
Unrealised gain/(loss) on foreign exchange	(13)	(35)	77	(48)
Impairment losses on trade receivables	334	-	-	-
Inventories written down	483	582	-	-

5. HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS THEREON

	Audited FYE 31 December 2016 RM'000	Audited FYE 31 December 2017 RM'000	Unaudited FPE 31 August 2017 RM'000	Unaudited FPE 31 August 2018 RM'000
Reversal of impairment losses on trade receivables	-	(1,226)	1,270	504
Operating profit before working capital changes	10,223	8,387	6,885	6,540
Changes in working capital:				
Inventories	1,072	(2,520)	(1,314)	(3,862)
Receivables	(4,667)	(3,590)	(953)	722
Payables	1,627	1,024	144	(4,581)
Directors	-	-	-	-
Cash generated from operations	8,255	3,301	4,762	(1,181)
Interest paid	-	-	-	-
Tax paid	(3,093)	(1,600)	(1,280)	(797)
Tax refunded	-	41	-	-
Net cash from operating activities	5,162	1,742	3,482	(1,978)
<u>Investing Activities</u>				
Interest received	14	31	8	9
Placement of fixed deposit with a licensed bank	(905)	(31)	-	-
Purchase of property, plant and equipment	(1,199)	(1,567)	(1,118)	(3,458)
Disposal of property, plant and equipment	530	-	-	-
Advances from / (Repayments to) related parties	(2,735)	96	-	-
Repayment to Directors	(1)	-	-	-
Net cash used in investing activities	(4,296)	(1,471)	(1,110)	(3,449)
<u>Financing Activities</u>				
Repayments of:				
- hire purchase liabilities	(581)	(787)	(511)	(479)
- term loans	(1,746)	(2,683)	(2,426)	(2,377)
Dividends paid	(2,000)	-	-	-
Interest paid	(775)	(780)	(564)	(833)

5. HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS THEREON

	Audited FYE 31 December 2016 RM'000	Audited FYE 31 December 2017 RM'000	Unaudited FPE 31 August 2017 RM'000	Unaudited FPE 31 August 2018 RM'000
Drawdown of term loans	3,000	4,000	565	1,670
Drawdown of banker's acceptance	-	577	-	3,824
Proceeds from issuance of ordinary shares	500	1,400	-	-
Net cash from/ (used in) financing activities	(1,602)	1,727	(2,936)	1,805
<u>Cash and Cash Equivalents</u>				
Net increase/(decrease)	(736)	1,998	(563)	(3,622)
Brought forward	2,963	2,241	2,241	4,252
Effect of foreign currency translation differences on cash and cash equivalents	14	13	13	48
Carried forward	2,241	4,252	1,691	678

The Group had recorded a negative operating cash flow for the FPE 31 August 2018 of RM1.98 million. This was mainly attributable to the changes in working capital i.e. reduction in trade and other payables of RM4.58 million as we took advantage of the price reduction for the purchase of raw materials and trading stocks, offered by the suppliers for shorter payment terms as well as increase in inventories of RM3.86 million for the FPE 31 August 2018 due to the additional purchase of materials in meeting the increase in the orders secured.

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5. HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS THEREON

5.2 Management Discussion and Analysis

The following management discussion and analysis of our business, financial conditions and results of operations for the past two (2) FYE 31 December 2016 and FYE 31 December 2017, and the eight (8) months FPE 31 August 2017 and FPE 31 August 2018, should be read in conjunction with our combined financial statements as set out in Sections 5.1.1, 5.1.2 and 5.1.3 of this Information Memorandum.

The management discussion and analysis also contain forward-looking statements that involve risks and uncertainties. The results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ considerably from those projected in the forward-looking statements include, but are not limited to, those discussed below or elsewhere in this Information Memorandum, particularly the risk factors as set out in Section 7 of this Information Memorandum.

5.2.1 Overview of Operations

Our Group is principally involved in manufacturing, trading and provision of erosion control solutions.

Further details on the overview of our business are set out in Section 2.4 of this Information Memorandum.

5.2.2 Revenue

The following table sets out the breakdown of our Group's revenue by companies, by segments and by geographical areas for the respective FYEs and FPEs:

(i) Revenue by companies

Companies	Audited		Audited		Unaudited		Unaudited	
	FYE		FYE		FPE		FPE	
	31 December 2016	31 December 2017	31 December 2017	31 December 2017	31 August 2017	31 August 2017	31 August 2018	31 August 2018
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Fibromat	-	-	-	-	-	-	-	-
MTS Fibromat	44,249	100.00	48,221	100.00	30,414	100.00	35,784	100.00
Total	44,249	100.00	48,221	100.00	30,414	100.00	35,784	100.00

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5. HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS THEREON

(ii) Revenue by segments

Segments	Audited		Audited		Unaudited		Unaudited	
	FYE		FYE		FPE		FPE	
	31 December		31 December		31 August		31 August	
	2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Design and installation services	20,008	45.22	27,779	57.61	13,233	43.51	20,364	56.91
Trading	14,725	33.28	11,731	24.33	8,988	29.55	10,959	30.63
Manufacturing	9,516	21.50	8,711	18.06	8,193	26.94	4,461	12.47
Total	44,249	100.00	48,221	100.00	30,414	100.00	35,784	100.00

(iii) Revenue by geographical areas

Geographical Areas	Audited		Audited		Unaudited		Unaudited	
	FYE		FYE		FPE		FPE	
	31 December		31 December		31 August		31 August	
	2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	41,924	94.75	45,603	94.57	27,831	91.51	33,548	93.75
Overseas								
South Korea	608	1.37	314	0.65	262	0.86	141	0.39
Singapore	856	1.93	1,682	3.49	1,310	4.31	1,623	4.54
India	685	1.55	493	1.02	942	3.10	454	1.27
Cambodia	-	-	-	-	-	-	-	-
Mauritius	-	-	-	-	69	0.23	-	-
Others	176	0.4	129	0.27	-	-	18	0.05
Subtotal	2,325	5.25	2,618	5.43	2,583	8.49	2,236	6.25
Total	44,249	100.00	48,221	100.00	30,414	100.00	35,784	100.00

Comparison between FYE 31 December 2016 and FYE 31 December 2017

For the FYE 31 December 2017, our Group recorded revenue of approximately RM48.22 million representing an increase of approximately 8.97% or RM3.97 million compared to RM44.25 million for the FYE 31 December 2016. This was in line with the increase in revenue contribution from our design and installation services.

The revenue contribution from design and installation services increased by 38.83% or RM7.77 million in FYE 31 December 2017 amounted to RM27.78 million, as compared to RM20.01 million for the FYE 31 December 2016. Such increase was mainly due to the increase in the revenue contribution of projects from our new lining division of RM5.02 million, which was set up in the 3rd quarter of the FYE 31 December 2016. However, the revenue contribution from the trading segment declined by RM2.99 million or 20.33% for the FYE 31 December 2017, due to the lower demand for non-woven geotextile products. The revenue contribution from manufacturing

5. HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS THEREON

segment also declined by RM0.81 million or 8.45% which was mainly attributable to lower sales of our manufactured sand-filled mattresses of RM0.89 million.

Revenue from Malaysia increased by approximately 8.78% or RM3.68 million for the FYE 31 December 2017 from RM41.92 million for the FYE 31 December 2016. This increase was in line with higher contribution from our design and installation services segment arising from more projects secured domestically during the FYE 31 December 2017. In addition, the revenue contribution from Singapore which increased by 96.50% or RM0.83 million from RM0.86 million in the FYE 31 December 2016 was mainly due to higher demand of our bio-degradable erosion control blanket ("BECB") and silt curtains from this market.

Comparison between FPE 31 August 2017 and FPE 31 August 2018

For the FPE 31 August 2018, revenue of the Group grew by 17.66%, with an increase of approximately RM5.37 million, as compared to the FPE 31 August 2017 of RM30.41 million. This was mainly attributable to the higher contributions from the design and installation services which increased by RM7.13 million or 53.89% for the FPE 31 August 2018. During the period, we secured a major landfill project in Jeram, Selangor, which contributed RM8.00 million to the revenue for the FPE 31 August 2018. The trading segment also grew by RM1.97 million or 21.92%, as compared to the FPE 31 August 2017 of RM8.99 million, mainly due to higher demand for woven and non-woven geotextile products for the FPE 31 August 2018. However, the manufacturing segment had recorded a decline by RM3.73 million or 45.55%, as the demand for erosion control blanket dipped for the FPE 31 August 2018.

5.2.3 Cost of Sales

Our cost of sales by segments, primarily consists of:

- (a) Design and installation services segment, which includes transportation costs, sub-contractor cost, machinery, purchase of materials and other costs;
- (b) Trading segment, which comprises of transportation, warehouse expenses and purchases of materials; and
- (c) Manufacturing segment, which comprises of purchase of raw materials, factory expenses, transportation and other costs.

The following table sets out the breakdown of our Group's cost of sales by segments for the respective FYEs and FPEs:

Segments	Audited		Audited		Unaudited		Unaudited	
	FYE		FYE		FPE		FPE	
	31 December		31 December		31 August		31 August	
	2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Design and installation services	14,466	47.17	21,688	59.25	10,737	46.18	17,132	61.36
Trading	10,955	35.72	8,609	23.52	6,256	26.91	8,612	30.85
Manufacturing	5,244	17.10	6,305	17.23	6,259	26.92	2,175	7.79
Total	30,665	100.00	36,602	100.00	23,252	100.00	27,919	100.00

5. HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS THEREON

Comparison between FYE 31 December 2016 and FYE 31 December 2017

Our Group's cost of sales increased by 19.36% from RM30.67 million for the FYE 31 December 2016 to RM36.60 million for the FYE 31 December 2017. The increase in the cost of sales for the FYE 31 December 2017 was attributable to higher product usage and contract expenses incurred for the design and installation services segment for the FYE 31 December 2017 as compared to the FYE 31 December 2016, which was due to the increase in our revenue for the year 2017. The design and installation services segment contributed the highest percentage of cost of sales for the FYE 31 December 2016 and FYE 31 December 2017 of 47.17% and 59.25%, respectively.

The Group recorded a slightly higher cost of sales for manufacturing segment for the FYE 31 December 2017 of RM6.30 million, as compared to the FYE 31 December 2016 of RM 5.24 million. This is due to the relocation of our factory to Rasa Factories, which increased our factory expenses and overhead as well as relocation costs.

Comparison between FPE 31 August 2017 and FPE 31 August 2018

For the FPE 31 August 2018, the increase in our Group's total cost of sales was also in line with the increased revenue. The Group recorded an increase of 20.07% of the total cost of sales for the FPE 31 August 2018 of RM27.92 million, as compared to RM23.25 million for the FPE 31 August 2017. The design and installation services segment was higher for the FPE 31 August 2018 with a contribution of 61.36% of the total cost of sales, as compared to 46.18% for the FPE 31 August 2017. The increase was contributed by higher product usage and contract expenses that is in line with the increase of revenue of 56.91% for the FPE 31 August 2018.

The Group recorded a lower cost of sales in the manufacturing segment for the FPE 31 August 2018 of RM2.18 million, as compared to the FPE 31 August 2017 of RM6.26 million, due to the relocation costs incurred during the FPE 31 August 2017.

5.2.4 GP and GP Margin

The following tables set out the breakdown of GP and GP margin by companies and by business segments for the respective FYEs and FPEs:

(i) GP and GP margin by companies

Companies	Audited		Audited		Unaudited		Unaudited	
	FYE		FYE		FPE		FPE	
	31 December		31 December		31 August		31 August	
	2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Fibromat	-	-	-	-	-	-	-	-
MTS Fibromat	13,584	100.00	11,619	100.00	7,163	100.00	7,866	100.00
Total	13,584	100.00	11,619	100.00	7,163	100.00	7,866	100.00

GP Margin

Fibromat	-	-	-	-
MTS Fibromat	30.69	24.09	23.55	21.98
Fibromat Group	30.69	24.09	23.55	21.98

5. HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS THEREON

Comparison between FYE 31 December 2016 and FYE 31 December 2017

The GP of our Group had declined from RM13.58 million for the FYE 31 December 2016 to RM11.62 million for the FYE 31 December 2017 due to the increase in higher manufacturing costs and contract expenses incurred for the design and installation services for the year 2017. In view of the competitive pricing and the rising cost of materials, GP margins declined from 30.69% for the FYE 31 December 2016 to 24.09% for 31 December 2017. The lower margins were also attributable to higher operational costs as we shifted into the new Rasa Factories during the year 2017.

Comparison between FPE 31 August 2017 and FPE 31 August 2018

The business environment for the FPE 31 August 2018 remains competitive as many players are eyeing for the limited number of projects available within the relevant industry. The GP margins are reduced for the FPE 31 August 2018, in order to remain competitive and secure businesses from reputable customers with good repayment records. Thus, the margins continue to decline from 23.55% for the FPE 31 August 2017 to 21.98% for FPE 31 August 2018.

(ii) GP and GP margin by segments

Segments	Audited		Audited		Unaudited		Unaudited	
	FYE		FYE		FPE		FPE	
	31 December 2016		31 December 2017		31 August 2017		31 August 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Design and installation services	5,542	40.80	6,091	52.42	2,496	34.85	3,234	41.12
Trading	3,770	27.75	3,122	26.87	2,733	38.15	2,346	29.82
Manufacturing	4,272	31.45	2,406	20.71	1,934	27.00	2,286	29.06
Total	13,584	100.00	11,619	100.00	7,163	100.00	7,866	100.00

GP Margin ⁽ⁱ⁾

Design and installation services	27.70	21.93	18.86	15.88
Trading	25.60	26.61	30.41	21.41
Manufacturing	44.89	27.62	23.61	51.24

Note:

(i) Calculated based on GP by each segment divided by revenue of each segment.

Comparison between FYE 31 December 2016 and FYE 31 December 2017

The overall decline in GP for the FYE 31 December 2017 was attributable to the lower contribution from both the trading and manufacturing segments which recorded RM3.12 million and RM2.41 million respectively, while an increase was recorded from the design and installation services of RM6.09 million for the year. The lower contribution from the manufacturing segment for the FYE 31 December 2017 was attributable to lower economies of scale and higher operational cost at the new Rasa Factories coupled with a decline in revenue from manufacturing segment.

5. HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS THEREON

Despite increased in the GP for the design and installation services segment, its GP margin registered a decline from 27.70% for the FYE 31 December 2016 to 21.93% for the FYE 31 December 2017. The decline in the GP margin for the FYE 31 December 2017 was due to the competitive pricing arising from the availability of wider range of products in the market. The GP margins for the manufacturing segment declined from 44.89% for the FYE 31 December 2016 to 27.62% for the FYE 31 December 2017. The said declined was mainly due to the rising cost of materials and higher operational costs, as we had shifted our operations into the Rasa Factories during the year 2017.

Comparison between FPE 31 August 2017 and FPE 31 August 2018

Our Group recorded a higher GP for the FPE 31 August 2018 of RM7.87 million as compared to the FPE 31 August 2017 of RM7.16 million, due to the higher contribution from the design and installation segment as well as the manufacturing segment. The higher GP from the design and installation segment was in line with significant increase in the revenue from this segment during the FPE 31 August 2018, albeit a decline in the GP margin from 18.86% for the FPE 31 August 2017 to 15.88% for the FPE 31 August 2018. The continuous competitive pricing has resulted in the reduction of the GP margin for the design and installation segment during the period.

Due to the fluctuations in the foreign exchange, the trading segment has registered a lower GP for the FPE 31 August 2018, despite recording an increase in the revenue for the period. The lower contribution has resulted in the GP margin of the trading segment to record a decline from 30.41% for the FPE 31 August 2017 to 21.41% for the FPE 31 August 2018.

The manufacturing segment has recorded a slight increase in its GP for the FPE 31 August 2018, despite registering a significant decline in its revenue for the period. The higher GP margin of 51.24% recorded for the FPE 31 August 2018 as compared to 23.61% for the FPE 31 August 2017, was mainly due to the higher cost of sales recorded for the FPE 31 August 2017 arising from the relocation of our manufacturing operations from Beruntung Property to Rasa Factories in the year 2017.

5.2.5 Other Income

The following table sets out the breakdown of our Group's other income for the respective FYEs and FPEs:

Details	Audited		Audited		Unaudited		Unaudited	
	FYE		FYE		FPE		FPE	
	31 December		31 December		31 August		31 August	
	2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Reversal of impairment for trade receivables	789	61.02	1,363	90.09	1,270	105.74	504	84.14
Bad debts recovered	45	3.48	123	8.13	-	-	-	-
Interest income	14	1.08	45	2.97	8	0.67	9	1.51
Gain on disposal of property, plant and equipment	149	11.52	-	-	-	-	-	-

5. HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS THEREON

Details	Audited		Audited		Unaudited		Unaudited	
	FYE		FYE		FPE		FPE	
	31 December		31 December		31 August		31 August	
	2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Gain on disposal of contra properties	257	19.88	-	-	-	-	-	-
Others ⁽ⁱ⁾	39	3.02	(18)	(1.19)	(77)	(6.41)	86	14.35
Total	1,293	100.00	1,513	100.00	1,201	100.00	599	100.00

Note:

(i) Others include income from machinery leasing, rental income, write-back for over provision of taxation, unrealized foreign exchange gain, realized foreign exchange loss and insurance claim

For the past two (2) financial years under review from the FYE 31 December 2016 to 31 December 2017 and the eight (8)-month FPE 31 August 2018, other income accounted for approximately 2.92%, 3.14% and 1.90% of our total revenue respectively.

Comparison between FYE 31 December 2016 and FYE 31 December 2017

For the FYE 31 December 2017, our Group recorded a total other income of approximately RM1.51 million, representing an increase of 17.01% or RM0.22 million as compared to RM1.29 million for the FYE 31 December 2016.

The increase was mainly attributable to:

- (i) The reversal of impairment for trade receivables of approximately RM1.36 million as compared to RM0.79 million in the FYE 31 December 2016. The reversal amount was fully collected; and
- (ii) The bad debts recovered of approximately RM0.12 million as compared to RM0.05 million in the FYE 31 December 2016.

However, such increase was partially offset with a realized loss on foreign exchange of RM0.07 million for the FYE 31 December 2017.

Comparison between FPE 31 August 2017 and FPE 31 August 2018

For the FPE 31 August 2018, our Group recorded lower other income of RM0.60 million, a decline of RM0.6 million or 50.12% as compared to the corresponding period.

The decline was mainly attributable to the lower reversal of impairment for trade receivables of RM0.50 million as compared to RM1.27 million in the corresponding period. The reversal amount was fully collected.

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5. HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS THEREON

5.2.6 Administration Expenses

The following table sets out the breakdown of our Group's administrative expenses for the respective FYEs and FPEs:

Details	Audited		Audited		Unaudited		Unaudited	
	FYE		FYE		FPE		FPE	
	31 December 2016		31 December 2017		31 August 2017		31 August 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs ⁽ⁱ⁾	1,300	30.18	1,728	52.14	1,149	50.89	1,165	52.08
Impairment losses on trade receivables	1,124	26.10	137	4.13	-	-	-	-
Depreciation for property, plant and equipment	276	6.41	446	13.46	228	10.10	348	15.56
Rental of premises	117	2.72	105	3.17	54	2.39	19	0.85
Professional fees ⁽ⁱⁱ⁾	257	5.97	144	4.34	233	10.32	106	4.74
Travelling expenses	33	0.77	63	1.90	78	3.45	79	3.53
R&D expenses ⁽ⁱⁱⁱ⁾	133	3.09	120	3.62	75	3.32	99	4.43
Receivable recovery expenses ^(iv)	102	2.37	87	2.63	80	3.54	1	0.04
Utilities and postage	101	2.34	69	2.08	54	2.39	59	2.64
Audit fees	47	1.09	47	1.42	32	1.42	10	0.45
Initial public offering expenses	597	13.86	114	3.44	114	5.05	248	11.09
Bad debts written off	-	-	-	-	-	-	(5)	(0.22)
Realised loss on exchange	-	-	-	-	-	-	-	-
Donation	57	1.32	29	0.88	15	0.66	-	-
Other administrative expenses ^(v)	163	3.78	225	6.79	146	6.47	108	4.83
Total	4,307	100.0	3,314	100.0	2,258	100.0	2,237	100.0

Notes:

- (i) Comprising salary, bonus, allowances, overtime, statutory contributions and staff welfare.
- (ii) Comprising legal fees incurred for the legal actions taken to demand outstanding payment from customers and documentation relating to our term loans.
- (iii) R&D expenses incurred for product and process development as well as quality control of products.
- (iv) Expenses incurred in relation to recovery of long overdue trade receivables which had been identified by the management with low possibility of collection.
- (v) Other administrative expenses mainly consist of IT expenses and repair and maintenance of office equipment, fittings and building. IT expenses only incurred during the FYE 31 December 2016 which consists of purchase of software licenses for customer relationship management and website hosting charges.

Our administrative expenses mainly comprise impairment losses on trade receivables, salaries and wages and other staff related costs for directors and functional department heads, office rental, depreciation for property, plant and equipment and payment for late payment of tax assessment.

The administrative expenses accounted for 9.73% and 6.87% of our total revenue for the FYE 31 December 2016 and the FYE 31 December 2017, respectively.

5. HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS THEREON

Comparison between FYE 31 December 2016 and FYE 31 December 2017

For the FYE 31 December 2017, our Group incurred approximately RM3.31 million of administrative expenses, representing a decrease of approximately 23.06% or RM0.99 million compared to RM4.31 million for the FYE 31 December 2016. The decrease was mainly due to lower impairment losses for trade receivables.

However, the decrease in impairment losses for trade receivables was offset with:

- (i) The increase in staff costs which was attributable to annual increment and higher number of headcount in the lining division; and
- (ii) The increase in depreciation was attributable to additional motor vehicle purchased for staff motor vehicle entitlement as well as office equipment and computer software to support our accounting and design functions.

During the FYE 31 December 2017, approximately RM1.36 million of previous impairment losses for trade receivables were reversed out from administrative expenses and this was reflected as other income.

For the FYE 31 December 2017, the Group recorded an increase in the other administrative expenses of RM0.23 million, as compared to the FYE 31 December 2017 of RM0.16 million. This was mainly due to the stamp duty of RM0.06 million recorded for the FYE 31 December 2017.

Comparison between FPE 31 August 2017 and FPE 31 August 2018

For the FPE 31 August 2018, administrative expenses accounted for RM2.24 million, a slight decline of 0.02 million or 0.89% compared to RM2.26 million in the corresponding period. The decrease was attributable to the lower rental of premises as our Group has acquired the Batu Caves Property and thereby saving on rental expenses.

With the acquisition of the Batu Caves Property, depreciation expenses had increased but was offset with lower commission paid to debt collectors.

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5. HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS THEREON

5.2.7 PAT and PAT Margin

The following table sets out the breakdown of PAT and PAT margin by companies for the respective FYEs and FPEs:

(i) PAT and PAT margin by companies

Companies	Audited		Audited		Unaudited		Unaudited	
	FYE		FYE		FPE		FPE	
	31 December 2016		31 December 2017		31 August 2017		31 August 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Fibromat	(596)	(11.61)	(126)	(2.05)	(126)	(3.32)	(255)	(6.66)
MTS Fibromat	5,728	111.61	6,283	102.05	3,923	103.32	4,083	106.66
Total	5,132	100.00	6,157	100.00	3,797	100.00	3,828	100.00

PAT Margin

Fibromat	-	-	-	-
MTS Fibromat	30.69	24.09	23.55	21.98
Fibromat Group	30.69	24.09	23.55	21.98

Comparison between FYE 31 December 2016 and FYE 31 December 2017

The Group recorded higher PAT of RM6.16 million for the FYE 31 December 2017, an increase of RM1.03 million or 19.97%, as compared to RM5.13 million for the FYE 31 December 2016. The increase in the PAT is attributable to the following:

- (i) Increase in revenue of the Group by 8.97% or approximately RM3.97 million, from RM44.25 million to RM48.22 million for the FYE 31 December 2017;
- (ii) Increase in other income by 17.0% or approximately RM0.22 million, from RM1.29 million in the FYE 31 December 2016 to RM1.51 million in the FYE 31 December 2017, due to higher reversal of impairment of trade receivables;
- (iii) Decrease in the administrative expenses by 23.0% or approximately RM0.99 million, from RM4.31 million for the FYE 31 December 2016 to RM3.31 million for the FYE 31 December 2017, due to lower provisions for impairment of trade receivables;
- (iv) Decrease in finance costs by 1.6% or approximately RM0.01 million, from RM0.82 million for the FYE 31 December 2016 to RM0.81 million for the FYE 31 December 2017;
- (v) Lower losses incurred by Fibromat of RM0.47 million for the FYE 31 December 2017; and
- (vi) Lower tax expense of RM1.87 million due to reinvestment allowances yielding an effective tax rate of 12.1% for the FYE 31 December 2017, as compared to 34.6% in the previous year.

5. HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS THEREON

Comparison between FPE 31 August 2017 and FPE 31 August 2018

The Group recorded a slightly higher PAT of RM3.83 million for the FPE 31 August 2018, which is an increase of RM0.03 million or 0.87% as compared to the FPE 31 August 2017. The increase is attributable to the following:

- (i) Increase in the revenue of the Group by 17.65% or approximately RM5.37 million, from RM30.4 million for the FPE 31 August 2017 to RM 35.8 million for the FPE 31 August 2018;
- (ii) Increase in GP by 9.82% or approximately RM0.70 million, from RM7.16 million for the FPE 31 August 2017 to RM7.86 million for the FPE 31 August 2018;
- (iii) Decrease in the administrative expenses by 1.57% or approximately RM0.04 million due to lower rental expenses incurred for the FPE 31 August 2018; and
- (iv) Decrease in the selling expenses by 27.74% or approximately RM0.22 million due to lower salaries during the FPE 31 August 2018.

5.2.8 Key Financial Ratios

	Audited As at 31 December 2016 RM'000	Audited As at 31 December 2017 RM'000	Unaudited As at 31 August 2017 RM'000	Unaudited As at 31 August 2018 RM'000
Trade Receivables Turnover Period (days)	114	133	116	121
Trade Payables Turnover Period (days)	92	66	91	46
Inventory Turnover Period (days)	84	90	88	112
Gearing Ratio (times)	0.51	0.46	0.36	0.49
Current Ratio (times)	2.02	2.29	2.03	2.31

- (i) Trade Receivables Turnover

Comparison between 31 December 2016 and 31 December 2017

The Group recorded a higher trade receivables turnover of 133 days as at 31 December 2017, as compared to 114 days as at 31 December 2016. The increase of 19 days was as a result of slower collections from customers due to the challenging economic conditions for the year 2017 and higher billings towards the end of the FYE 31 December 2017, which are not due for payment yet.

Comparison between 31 August 2017 and 31 August 2018

The Group recorded a higher trade receivables turnover of 121 days as at 31 August 2018, as compared to 116 days as at 31 August 2017. The increase of five (5) days was as a result of higher revenue from design and installation services which a longer credit terms were extended for this segment.

5. HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS THEREON

In addition, the trade receivables as at 31 August 2018 consist of approximately RM2.29 million of retention monies, which have a longer repayment term of approximately one (1) year as compared to no retention sum recorded as at 31 August 2017. Hence, this has contributed to the increase of the trade receivables turnover period of 121 days as at 31 August 2018.

(ii) Trade Payables Turnover

Comparison between 31 December 2016 and 31 December 2017

The trade payables turnover period had improved from 92 days as at 31 December 2016 to 66 days as at 31 December 2017. This is due to our prompt action in paying the suppliers to take advantage of better pricing.

Comparison between 31 August 2017 and 31 August 2018

Our trade payables turnover period had improved from 91 days as at 31 August 2017 to 46 days as at 31 August 2018, mainly due to our continuous effort to pay our suppliers on time.

(iii) Inventory Turnover Period

Comparison between 31 December 2016 and 31 December 2017

Our Group recorded an increase in the inventory turnover period from 84 days as at 31 December 2016 to 90 days as at 31 December 2017. This is mainly due to higher level of stocks required to cater for the projects towards the end of 31 December 2017, which was carried forward to the following FYE 31 December 2018. The work-in-progress and finished goods inventory increased from RM2.39 million as at 31 December 2016 to RM5.21 million as at 31 December 2017.

Comparison between 31 August 2017 and 31 August 2018

Our Group recorded a higher inventory turnover period of 112 days as at 31 August 2018, as compared to 88 days as at 31 August 2017, mainly due to higher stocks required to cater for the projects secured for the fourth (4th) quarter of the year 2018. The raw material inventory had increased from RM0.30 million as at 31 August 2017 to RM5.01 million as at 31 August 2018.

(iv) Gearing Ratio

Comparison between 31 December 2016 and 31 December 2017

Our Group's borrowings mainly consists of term loans, hire purchase and bankers' acceptance. Despite an increase in the total borrowings from RM12.91 million as at 31 December 2016 to RM14.80 million as at 31 December 2017, our gearing ratio has improved from 0.51 times as at 31 December 2016 to 0.46 times as at 31 December 2017.

The improvement was mainly due to higher shareholders' equity recorded as at 31 December 2017 of RM32.09 million as compared to RM25.43 million as at 31 December 2016.

5. HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS THEREON

Comparison between 31 August 2017 and 31 August 2018

Our Group's gearing ratio had increased from 0.36 times as at 31 August 2017 to 0.49 times as at 31 August 2018. This was mainly due to higher term loan facilities secured for the purchase of Batu Caves Property and utilisation of bankers' acceptance for working capital purposes to fund our design and installation services segment.

(v) Current Ratio

Comparison between 31 December 2016 and 31 December 2017

Our current ratio has gradually improved from 2.02 times as at 31 December 2016 to 2.29 times as at 31 December 2017 mainly due to the increase in cash and bank balances from RM3.31 million as at 31 December 2016 to RM5.35 million as at 31 December 2017. The Group had also recorded a current tax assets as at 31 December 2017 of RM0.84 million, as compared to nil as at 31 December 2016.

Comparison between 31 August 2017 and 31 August 2018

Our current ratio recorded an improvement from 2.03 times as at 31 August 2017 to 2.31 times as at 31 August 2018, mainly due to the increase in the current tax assets from RM0.45 million as at 31 August 2017 to RM0.83 million as at 31 August 2018. The Group had also recorded an increase in the trade and other receivables amounted to RM3.57 million as well as an increase in inventories amounted to RM4.49 million, as at 31 August 2018.

5.2.9 Recent developments

Save as disclosed below, there were no significant events subsequent to our Group's audited combined financial statements for the FYE 31 December 2017:

- (i) MTS Fibromat Share Sale Agreement;
- (ii) Sale and Purchase Agreement of Euroland Property 2; and
- (iii) A total dividend of RM4,000,000 was declared and paid on the following dates:

Date	Amount (RM)
27 November 2018	280,769
28 November 2018	692,308
6 December 2018	400,000
13 December 2018	40,000
17 December 2018	400,000
19 December 2018	1,186,923
10 January 2019	500,000
17 January 2019	500,000
Total	4,000,000

5. HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS THEREON

5.2.10 Significant Factors Affecting our Financial Position and Results of Operations

Section 7 of this Information Memorandum details a number of risk factors relating to our business and the industry in which we operate in. Some of these risk factors have an impact on our revenue and financial performance.

Sophisticated Investors should carefully consider the risk factors set out therein before making a decision on whether an investment in our Shares is suitable for them in light of their circumstances and financial resources and whether they are able and willing to withstand the potential loss of their entire investment.

5.3 Dividend Policy

We currently do not have a fixed dividend policy. Upon Proposed Listing, our Board intends to adopt a stable and sustainable dividend policy to reward our shareholders for participating in our Group's growth, while maintaining an optimal capital structure and ensuring sufficient funds for our future growth. In this regard, we envisage a dividend payout ratio of up to 30% of our future net profits to our shareholders in each financial year, subject to the solvency test under the Act and an acceptable pool of funds for working capital at subsidiary level, the amount of which to be agreed by our Board.

The declaration and payment of dividends will be determined at the sole discretion of our Board. In making their decisions, our Board will consider, amongst other things, our retained earnings, expected future earnings, operations, cash flow, capital requirements, general business and financing conditions, as well as other factors which our Board may determine appropriate subject to the solvency test under the Act. Any declaration of final dividend by our Board is subject to the approval of our shareholders at a general meeting.

However, you should take note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our future dividends which may be subject to modification (including reduction or non-declaration thereof) in our Board's absolute discretion.

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6. INDEPENDENT MARKET RESEARCH REPORT

SMITH ZANDER INTERNATIONAL SDN BHD (1058128-V)
15-01, Level 15, Menara MBBM, 1 Jalan Syed Putra, 58000 Kuala Lumpur, Malaysia
T : +603 2732 7537 W : www.smith-zander.com

SMITH ZANDER

The Board of Directors

Fibromat (M) Berhad
Level 8, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor, Malaysia

Dear Sirs/Madam,

Independent Market Research Report on the Erosion Control Industry in Malaysia (“IMR Report”)

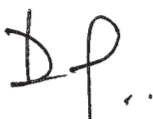
This IMR Report been prepared by SMITH ZANDER INTERNATIONAL SDN BHD (“SMITH ZANDER”) for inclusion in the draft Prospectus in conjunction with the proposed listing of Fibromat (M) Berhad on the LEAP Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industry and market(s) in which Fibromat (M) Berhad and its subsidiaries (collectively referred to as “Fibromat Group”) operates in and to offer a clear understanding of the industry and market dynamics.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants and industry experts. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balance view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an “overall industry” perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this report or otherwise.

For and on behalf of SMITH ZANDER:



DENNIS TAN
MANAGING PARTNER

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The research for this IMR Report was completed on 26 March 2019.

For further information, please contact:

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About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has 21 years of experience in market research and strategy consulting, including over 16 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

1 OVERVIEW OF THE EROSION CONTROL INDUSTRY IN MALAYSIA

Introduction

Erosion control comprises the techniques used to prevent and/or manage soil or ground degradation, caused by natural elements such as wind or water, as well as man-made features such as construction. Thus, erosion control solutions prevent pollution, loss of property and safety hazards.

Erosion control solutions are undertaken to control wind and water erosion; improve soil condition and fertility; modify ground properties in terms of strength, stability, capacity or density; improve moisture retention or permeability; enhance growth of vegetation; assist with drainage; prevent seepage and pollution; as well as filter sediments. Erosion control solutions may also be performed for landscaping or beautification purposes; and can be temporary, medium-term or permanent.

Erosion control solutions may either precede other civil and structural works related to the construction of buildings or infrastructure, or may be conducted after construction as a form of remediation. There are different erosion control solutions to suit a variety of applications such as different terrain, slopes, coastal beaches, riverbanks, embankments, ponds and tanks.

Erosion control products typically comprise natural fibre products and geosynthetics:

- Natural fibre products are those which are made of natural biomass substrates such as palm fibre, coconut fibre and paddy straw. Natural fibre products are biodegradable and thus improve soil fertility; and
- Geosynthetics are synthetic products used to control erosion and maintain stability of terrain. They are typically made of polymers. Examples of geosynthetic products are geotextiles (woven and non-woven), geogrid, geomembrane, geocomposites, geocell, geonets, geosynthetic clay liners and geofoam. They are used for medium-term and permanent applications, as they are less susceptible to biodegradation.

The erosion control industry can be segmented into two (2) main categories, namely slope stabilisation and ground improvement; as well as sediment control, filtration and separation.

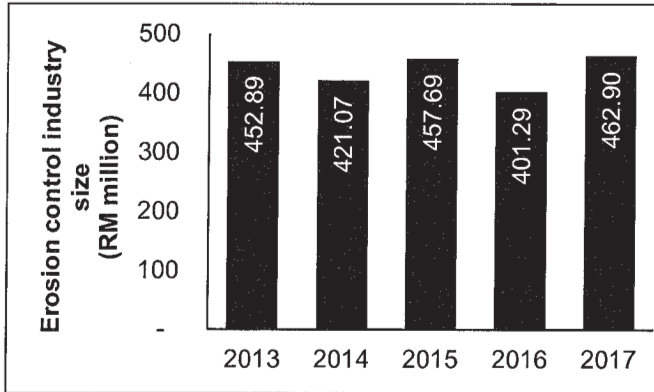
Type of erosion control works	Description
Slope stabilisation and ground improvement	Slope stabilisation prevents erosion caused by elements such as wind and water, by creating a barrier between the element and the surface to be protected. Slope stabilisation works by assisting with drainage or stabilising the ground. Slope stabilisation also reinforces the soil to support high loads or to construct steeper slopes. This solution may satisfy aesthetic requirements at the same time. Ground improvement refers to the growing of flora in order to strengthen soil or simply aesthetics purposes.
Sediment control, filtration and separation	Sediment control refers to measures taken to prevent sediment, such as soil from flowing into bodies of water and causing pollution. Filtration and separation involve the separation of particles while allowing water to flow through, as well as separates different types of materials.

Source: SMITH ZANDER

The erosion control industry in Malaysia comprises industry players who are involved in the manufacturing of erosion control products (natural fibres and/or geosynthetics) and industry players who are involved in the implementation of erosion control solutions which utilise these products. Fibromat Group is involved in the manufacturing of erosion control products and implementation of erosion control solutions.

Industry Performance, Size and Growth

Erosion control industry (Malaysia), 2013-2017



Source: Companies Commission of Malaysia (“CCM”), SMITH ZANDER

The erosion control industry size in Malaysia is computed based on latest available revenues of 18 major industry players who are involved in the provision of erosion control solutions¹.

Between 2013 and 2017, the erosion control industry in Malaysia illustrated a compound annual growth rate (“CAGR”) of 0.55%, growing from RM452.89 million in 2013 to RM462.90 million in 2017.

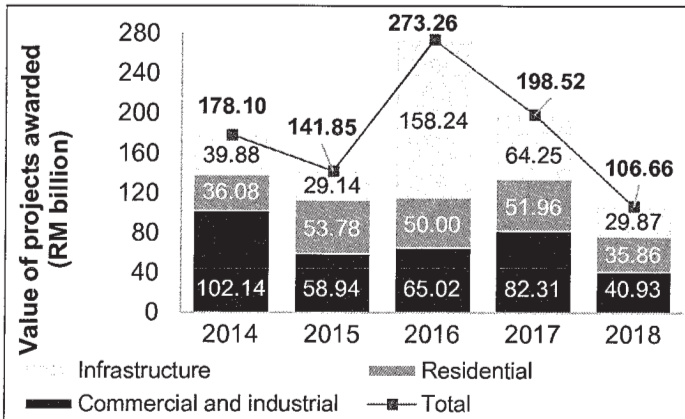
The growth of the industry is expected to be driven by the growth in construction activities which will be spurred by positive economic developments in Malaysia.

Demand Conditions – Key Demand Drivers

► **The construction industry drives growth in the erosion control industry**

The erosion control industry is a sub-sector of the construction industry, and as such, the performance of the construction industry will have an impact on the erosion control industry. The growth of the construction industry, as measured by value of projects awarded, has fluctuated between 2014 and 2018 and this is reflected in the similar fluctuating trend in the erosion control industry shown above.

Value of projects awarded, 2014-2018



Note:

- Figures may not add up due to rounding.

Source: Construction Industry Development Board

The erosion control industry is particularly impacted by infrastructure construction as infrastructure construction activities require substantial use of erosion control products and solutions.

In line with other construction sectors, the infrastructure development segment has also fluctuated between 2014 and 2018. The infrastructure development segment of the construction industry is typically reliant on public funding from the Government of Malaysia. There was a period of political uncertainty in 2017 leading up to the general election in May 2018 which affected market sentiment and may have contributed to a slowdown in the awarding of construction projects in 2017 and 2018.

Following the change in the Malaysian federal government after the general election in May 2018, the new Government had released announcements on the cancellation and/or halting of a few mega infrastructure projects, including East Coast Rail Link, part of Mass Rapid Transit Sungai Buloh- Serdang-Putrajaya Line (MRT 3 or Circle Line) and high-speed rail link between Malaysia and Singapore, indicating that there is a lower possibility for new major infrastructure project launches in the near future.

The construction industry in Malaysia is largely influenced by the nation’s economic development as the construction of buildings and infrastructure are essential for national development and progress. With

¹ As there is no publicly available information on the total value of erosion control projects awarded or completed in Malaysia, the total revenue of the 18 major industry players is used to represent the erosion control industry as these industry players are mainly involved in the provision of erosion control solutions. These 18 major industry players were identified based on publicly available sources, such as company’s websites, published documents and industry directories as well as through interviews conducted with the relevant stakeholders in the erosion control industry in Malaysia.

6. INDEPENDENT MARKET RESEARCH REPORT

SMITH ZANDER

economic development comes an increase in demand for residential, commercial and industrial properties due to the increase in the average income of the population as well as the increase in business activities. As these construction sub-segments (i.e. residential, commercial and industrial) develop, the infrastructure and social amenities supporting these developments must be likewise built or improved.

With increasing demand for these properties, the demand for erosion control services may increase to support land development activities to cater for the construction of these properties.

► **Government budgets and initiatives, particularly on building and infrastructure constructions, will generate demand for erosion control services**

As the growth of the erosion control industry in Malaysia is tied to the growth of the construction industry, government budgets and initiatives relating to the construction industry will also benefit the erosion control industry in Malaysia.

Eleventh Malaysia Plan

The Government of Malaysia approved several flood mitigation, riverbank erosion and coastal rehabilitation projects, to be undertaken by the Department of Irrigation and Drainage Malaysia. This is in response to flood-prone areas in the country, due to reasons such as heavy rain, logging, poor drainage and rising sea levels, causing residents to experience loss of lives, property and livelihoods.

The measures taken include deepening and/or widening of rivers, replanting of trees to prevent soil erosion, as well as construction of embankments to prevent overflowing and intrusion of saltwater. Among the allocations approved by the Government are RM800.00 million for Kelantan, RM639.70 million for Sarawak and RM150.00 million for Penang.

River of Life

The River of Life project began in 2012, with completion scheduled for 2020. The project involves three (3) initiatives, namely cleaning, master planning and beautification, as well as development of the area along the Klang and Gombak Rivers in the heart of Kuala Lumpur. The aim is to transform this area into a heritage and commercial centre.

This project is set to contribute RM4.30 billion to GNI and is projected to create 17,041 jobs by 2020. The total capital expenditure for this project is estimated at RM17.90 billion, RM14.30 billion of which will be from private investment in real estate development.

Industry Restraints and Challenges

► **Review of major infrastructure projects, which may affect opportunities for construction and/or erosion control players**

Following the change in federal government, the present Government of Malaysia has announced heavy spending cuts to reduce the RM1 trillion national debt through the review of major infrastructure projects in terms of benefits and cost-effectiveness. Among the projects affected are:

- The 350-kilometre Kuala Lumpur-Singapore High-Speed Rail linking Bandar Malaysia to Singapore's Jurong East and is estimated to cost RM110 billion. The Governments of both countries signed an agreement in September 2018 to suspend the Kuala Lumpur-Singapore High-Speed Rail project to 31 May 2020;
- The MRT Line 3, which is reported to cost RM45 billion, has been postponed. The project would have integrated with the MRT Lines 1 and 2, as well as the LRT and monorail transit systems;
- The East Coast Rail Link (ECRL), which costs RM81 billion, is a rail line spanning 688 kilometres from Port Klang to Pengkalan Kubor, Kelantan. Construction has been halted following the issuance of a suspension notice to the main contractor, China Communications Construction Co Ltd on 3 July 2018. Since then, there have been indications from the Government to resume the ECRL project if the cost of the project can be reduced. However, the Government is still negotiating with the various stakeholders involved and there is no firm decision to resume the project as at the date of this report;
- The 486-acre Bandar Malaysia mega-project in Sungai Besi is undergoing a review. The deferral of this project may also be affected by the cancellation of the High-Speed Rail, whereby Bandar Malaysia was one of the planned stops; and

6. INDEPENDENT MARKET RESEARCH REPORT

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- Phase 2 of the Pan Borneo Highway, from Limbang to Lawas in Sarawak, is undergoing a study to evaluate its technical and financial implications. The project is expected to cost RM29 billion, whereby Phase 1 is currently under construction. It has been reported that the project will continue but an audit will be carried out on contractors.

Upon studying the feasibility of these projects, they may be cancelled if they are deemed not viable, which affects opportunities for construction and erosion control players. However, some of these projects may still proceed or be deferred, which could still present opportunities for the construction and erosion control players.

2 COMPETITIVE LANDSCAPE OF THE EROSION CONTROL INDUSTRY IN MALAYSIA

Overview

The erosion control industry comprises pure-play and diversified industry players. A pure-play industry player is an erosion control specialist that is involved solely in erosion control related works, while diversified groups and/or companies are involved in erosion control related activities as well as other core businesses, which include, among others, building and infrastructure construction, property development as well as foundation works. For the purpose of this IMR Report, only pure-play and diversified players who are primarily involved in erosion control works are included.

Key Industry Players

The following sets out the latest available revenues of the selected major erosion control industry players in Malaysia, with classifications indicating if they are pure-play erosion control specialists, or diversified groups and/or companies.

Company Name	Classification	Latest Financial Year	Revenue ¹ (RM '000)
CeTeau Malaysia Sdn Bhd	Diversified	31 December 2017	16,166.24
Eco Infra Works Sdn Bhd	Diversified	31 December 2017	7,982.92
Fibromat Group	Pure-play	31 December 2017	48,221.00
Geopakar Engineering Sdn Bhd	Diversified	31 December 2017	47,980.49
Maccaferri (Malaysia) Sdn Bhd	Diversified	31 December 2017	89,875.00
MB World Group Berhad ²	Diversified	31 December 2017	11,821.36
NAUE Asia Sdn Bhd	Pure-play	31 December 2017	28,619.62
Reinforced Earth Malaysia Sdn Bhd (subsidiary of Reinforced Earth (SEA) Pte Ltd)	Pure-play	31 December 2017	7,818.60
STL Drilling Sdn Bhd	Diversified	31 December 2015 ³	15,881.35
STL Geotechnical Engineering Sdn Bhd	Diversified	31 December 2015 ³	13,092.49
TenCate Geosynthetics Asia Sdn Bhd	Pure-play	31 December 2017	192,987.86

Notes:

- The key identified erosion control industry players include all industry players that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that have no online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of industry players is exhaustive.

¹ Revenue may be derived from sources other than erosion control services and solutions.

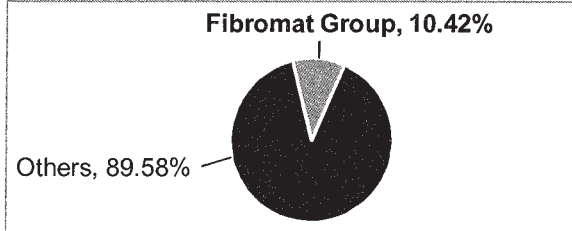
² Revenue for MB World Group Berhad is segmental revenue from its geosynthetic engineering business.

³ Latest available financial year as it is a private exempt company for the financial years ending 31 December 2016 and 31 December 2017.

Source: Various company websites, CCM, Fibromat Group, SMITH ZANDER

Industry Revenue Share

Industry revenue share of Fibromat Group, 2017



In 2017, the erosion control industry size in Malaysia, consisting of both pure-play and diversified players, was approximately RM462.90 million. Fibromat Group captured an industry revenue share of 10.42% in 2017, based on its revenue contribution of RM48.22 million for the FYE 31 December 2017.

Source: CCM, Fibromat Group, SMITH ZANDER

7. RISKS

Any investment in our Shares may be subject to a number of risks. Before making any investment decisions, Sophisticated Investors should carefully consider the risk factors together with all other information in this Information Memorandum, in particular the risks and investment considerations described below. The information below does not purport to be complete nor exhaustive, as additional risks and uncertainties not presently known to our Group, or that our Group currently deems as not material, may have an adverse effect on our business.

If any of the following risks were to materialise, our Group's business, financial condition, results or future operations could be materially adversely affected. In an event, the market price of our Shares could decline, and investors may lose part or all of their investments.

7.1 Business, Operating and Industry Risks

(i) Dependency on key senior management

Our Group's continued success, future business growth and expansion will depend to a significant extent on our key senior management's experience, expertise and continued efforts. Our Executive Directors, who are also our Promoters, play an active role in the management and operations of our Group. Specifically, Ng Kian Boon, Wong Teck Ching and Mohd Tarmim Bin Sidek have been actively involved in our Group's operations, and their long service, in-depth knowledge on all aspects of our Group's operations, as well as their experience in the erosion control and geosynthetic sector is invaluable to our Group and our future plans. Our Executive Directors are assisted by our other key senior management who also have extensive knowledge and experience in the erosion control and geosynthetic sector and their respective area of responsibilities within the Group. Ng Chun Hou, one our Executive Director, have seven (7) years of working experience and has been instrumental in breaking new grounds through the opening of new markets, especially the export sector.

In order to attract, hire and retain suitable candidates, our Group maintains a conducive working environment and offer our employees competitive remuneration packages, and a variety of on-going training and development programmes. In addition, numerous efforts have been made by our Group to identify and groom younger members of our management team to gradually take on more responsibilities as an integral part of our management succession plan. Such efforts include constantly exposing our younger management team members to various aspects of our business operations and our Group's decision-making process to ensure that they are equipped with the knowledge to succeed in senior management roles.

The loss of any of our key senior management simultaneously or within a short time span without suitable and timely replacement, or our inability to attract and retain qualified and competent personnel or integrate new personnel, could adversely affect our business operations.

(ii) Disruption in shipment

For the FYE 31 December 2017, approximately 47.9% of our purchases are from suppliers outside Malaysia and approximately 5.43% of our sale are to customers outside Malaysia. We rely on marine transportation for this purpose. As such, we may experience disruption in shipment due to, amongst others, weather conditions, delays in customs clearance, strikes, political turmoil, pirate attacks or lost shipments, which may have an adverse impact on our business operations.

As export of our products do not contribute significantly to our overall revenue, any disruption of shipment of products to our customers outside Malaysia is unlikely to have a material impact to us. However, any disruption in shipment from our suppliers outside Malaysia may have an impact on our business operations and affect our financial performance. As at the LPD, our Group has not in the past encountered any significant disruption in shipment that has affected our operations. We have marine insurance, which would minimise the impact of disruption to shipment of products.

7. RISKS

(iii) Breakdown or defects of machineries

Our manufacturing plant is susceptible to interruptions caused by breakdowns or defects of machineries and equipment. In such event, this would affect the manufacturing of our products and result in an adverse impact on our business operations.

As at the LPD, our Group has not in the past encountered any significant breakdowns or defects of machineries and equipment that has affected our operations. We have two (2) sets of machines for the production of our core manufacturing products namely, sandfilled mattresses, PVD, silt curtains, woven bags and geocell, which contributes approximately 70% of our manufacturing sales. Hence, in the event that one (1) of the machine breakdown, there will be another machine that will be able to cope for the production temporarily. It is unlikely that breakdown of the machines will occur at the same time. Furthermore, we also ensure that our machineries and equipment are properly maintained and in good working order, by maintaining a scheduled maintenance for our machineries.

(iv) Credit risk and default in payment by our customers

Generally, the credit terms granted to our customers range from 30 days to 90 days. Our customers have varying degrees of credit risk profiles which exposes us to the risk of non-payment by them. In the event our customers default on their payments, our operating cash flows, financial condition and results of operations could be materially and adversely affected.

Currently, we have in place a credit assessment process whereby all new customers are required to fill up the credit application form and provide us with the relevant supporting documents for this purpose. We will conduct periodic review on our customers credit limits and terms to ensure appropriate credit limits and terms are allocated based on our assessment of their risk level. In addition, we also emphasise on close monitoring and collection of accounts on an on-going basis to minimise the risk of default.

For the FYE 31 December 2017, approximately 83.84% of our sales were transacted on credit terms. In some instances, we require our customers to either make prepayment upon issuance of purchase order/Letter of Award, ranging from 10% to 30% of the order/ project value, or provide letter of credit to us as payment commitment.

Any default or delay in our collection of debts which lead to impairment losses on trade receivables or bad debts may have a material adverse impact on our financial performance.

(v) Disruption in our operations and adequacy of insurance coverage

Our operations are subject to risks out of our control such as fire outbreak, electricity disruptions, breakdown of computer system, computer viruses and other adverse events which will cause significant downtime, loss and/or damage to our inventory, manufacturing facilities and office, hence disrupting our operations and financial condition.

As a manufacturer and supplier, we manufacture and store our goods in our factories and as such, our factories are particularly subject to the risk of fire. However, our factory in Rasa, Selangor is divided into 2 buildings and any disasters are not likely to affect both buildings at the same time which reduces the risk of disruption to our business operations. Moreover, our Group has engaged and will continue to engage third-party suppliers to produce some of our products. We have also installed firefighting system including fire hydrants, hose reels and fire extinguishers in our factories where specialist contractors have been engaged to maintain and upkeep all the said equipment. Our factory premises are also guarded 24 hours a day with a minimum of 1 guard per

7. RISKS

shift. The guard house is installed with telephone lines to alert the nearest fire station and key personnel when the need arises.

We have also purchased insurance policies to cover most of our physical assets in our factories and head office. We ensure the continuity of our insurance by renewing the expired insurance policies and reviewing the adequacy of existing insurance coverage on a yearly basis. We believe that our current insurance coverage undertaken is adequate for our business operations. Further, we have not encountered any major disruptions for the past FYE 31 December 2016, FYE 31 December 2017 and up to the LPD that may materially affect our business and financial performance.

(vi) Potential infringement of IP rights belonging to us or others

Our commercial success is dependent to a certain degree on our ability to protect our IP rights. Failure to protect our IP rights against infringement or counterfeiting will threaten the image of our Group and result in an adverse impact on our business and financial performance. The enforcement of our IP rights through litigation or arbitration may result in substantial costs and diversion of our Group's resources. Details of our registration of trademark and application for patent are set out in Section 9.7.1 of this Information Memorandum.

The registration of trademark confers protection to our Group such that third parties are prevented from using trademarks that are similar to ours in respect of the class in which our trademark has been registered. As the owner of a registered trademark, we have the right to commence legal proceedings for trademark infringement under the Trade Marks Act 1976 in the case of infringement, counterfeiting, unauthorised third party use or exploitation of our trademark.

In the event our application for patent registration is successful and our patent is registered in Malaysia, we will have the right to commence legal proceedings for patent infringement under the Patents Act 1983 in the case of infringement, counterfeiting, unauthorised third party use or exploitation of patent.

Our Group may also unknowingly infringe on the IP of third parties and may be held responsible for such infringements. This may have a negative impact on our relationships with our customers and/or suppliers and may also expose us to costly litigation and settlement expenses. Under such incident, we may be prevented from selling products which are the subject of the infringement.

Any litigation or claim relating to IP rights infringement in which we are named as a party may harm our name and reputation. Any adverse judgment against us may require substantial damages to be paid as well as invalidate our IP rights and prevent us from selling the products. Any of these events could affect our business operations and financial performance.

As at the LPD, our Group has not encountered any case of infringement, counterfeiting, unauthorised third party use or exploitation in respect of our trademark and patent.

(vii) Foreign currency fluctuation risk

Some of our sales are transacted in foreign currencies, namely in USD, Euro and SGD and some of our purchases of raw materials are denominated in USD. As such, we are exposed to foreign currency fluctuation risk. Any unfavourable fluctuations in foreign exchange rates may have an adverse impact on our financial performance and profitability.

7. RISKS

Our foreign exchange gains and losses for the FYE 31 December 2016 and FYE 31 December 2017 are as follows:

Foreign exchange gain/(loss)	FYE 31 December	
	2016 RM'000	2017 RM'000
- Realised	(32)	(68)
- Unrealised	14	35
Total	(18)	(33)

For the FYE 31 December 2017, approximately 1.94% and 3.49% of our sales were transacted in USD and SGD respectively whereas approximately 45.5% of our purchases were transacted in USD. Our Group does not enter into any financial instruments to hedge against any foreign currency fluctuation.

Currently, we liaise with our suppliers continuously to keep abreast with the market conditions, purchase in bulk to optimise discounts and maintain foreign currency accounts by paying for our imports through our export proceeds. The price quotations we provide to our customers are valid only for the period specified in the quotation and this enables us to take into consideration foreign currency fluctuation when providing price quotation and reduce the impact of adverse foreign currency fluctuation. Our Group will continuously monitor the foreign currency fluctuations and enter into foreign exchange spot contracts to hedge against the foreign currency fluctuation risk, as and when necessary.

(viii) Domestic borrowings of our Group

As at the LPD, our Group's bank borrowings (excluding hire purchase) amounted to RM14.12 million. All the loans of our Group are local and interest-bearing and thus, any upward fluctuation in interest rates may have a material impact on the future profitability of our Group.

As at the LPD, we have not experienced any withdrawal of banking borrowings granted to our Group.

(ix) Absence of long-term contracts

Our Group does not have any long-term contracts with our customers as our Group's sales are mostly based on purchase orders. The absence of long-term contracts is an industry practice where customers would purchase products by way of purchase order on project-to-project basis or as needed basis. As such, absence of long-term contracts can be an inherent risk to our business operation.

We have a diversified customer base of more than 1,000 customers accumulated since the business inception. Our Group will continuously seek to establish long-standing and stronger relationships with our customers in order to ensure business continuity and growth.

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7. RISKS

(x) Product liability

Any occurrence of product defects within the Defects Liability Period will be reflected as a cost to us in the form of repair costs and may also have an adverse implication on our industry reputation. An adverse reputation or negative perception regarding the quality of our products, or our Group in general, could also result in a decrease in demand for our products. Further, any incidence of product defects or failure that causes serious injury may result in lawsuits and/or civil liability claims, and loss of customers' confidence in our products, which could materially impact future demand for our products, thus adversely affect our financial performance.

As an ISO certified company, we have in place in-process quality assurance procedures for our manufacturing processes which, to a certain extent, enable us to minimise the occurrence of product defects or failures.

We have not incurred any material cost on repair and/or replacement of our products sold to customers due to product defects during the FYE 31 December 2016, FYE 31 December 2017 and the subsequent period up to the LPD.

7.2 Risk Relating to the industry in which our Group operates**(i) We operate in a competitive environment**

Our Group faces competition from existing competitors, both domestically and from abroad as well as potential new entrants to the industry.

Nevertheless, our Group will continue to enhance our position in the erosion control solutions industry in Malaysia, by expanding into in-house design and installation services of PVDs, and design and installation services, as further detailed out in Section 2.10 of this Information Memorandum. Additionally, we also have the experience and track record in the following areas, which have strengthen our competitive edge in this environment:

- (a) As at 31 December 2017, our Group has a large customer base comprising more than 1,000 customers. This customer database also covers diverse end-user segments;
- (b) Our Group commenced operations in 1999 and over the years, our Group has developed a reputation as an established supplier, manufacturer and installer of erosion control products and services. Our reputation is further reinforced as our Group has also evolved from supplier of erosion control products and services into a one-stop company which manufactures and supplies products, provides design consultation as well as installation services to various industries and markets. Our established reputation is reflected by the fact that approximately 80% of our top five (5) customers have been with our Group for 3 or more years. In addition, our Group has also established a good track record and the required technical expertise as a manufacturer of erosion control products and services provider in view of our involvement in prominent projects, namely, amongst others:
 - Reclamation for Seri Tanjung Pinang (Phase II) Development (STP 2) Penang;
 - River Protection Project at Assam, India;
 - Supply of woven geotextile for Pan Borneo Highway located in Lundu, Kuching, Sarawak;
 - Supply of fibrotube for shoreline protection and beach enrichment St Regis Hotel, Pulau Langkawi, Kedah; and

7. RISKS

- Supply of non-woven prefabricates panels for seabed scour protection at Tuas Terminal, Singapore.
- (c) Our Group can attest to the quality of our products in the following manner:
- The standard of quality of our finished products meet the specification of export markets;
 - Our quality management system in relation to the manufacture of erosion control and geosynthetic products is accredited as conforming to the requirements of ISO 9001:2015; and
 - The award of the four (4) star rating from CIDB in the provision of design and installation services; and
- (d) Our Group has gained in-roads into the export markets and this provides a platform to further expand our export activities. For the FYE 31 December 2017, our Group's export revenue contributed 5.43% of our total revenue. The total export had an increase of 12.60% from the FYE 31 December 2016 to the FYE 31 December 2017. Hence, taking into consideration of the potential in the export markets that has exists, as well as the ability of our products to meet international standards, the Company will participate in more international trade fairs and exhibitions to further enhance our export activities.

Whilst we strive to remain competitive, there can be no assurance that any changes in the competitive environment would not have any material and adverse impact on our business and financial performance.

(ii) Inability to anticipate changes in customers' demand and preference

Our Group's continued success is dependent to a certain extent on our ability to anticipate and to rapidly design and develop the relevant erosion control products and services to match customers' demands and preference for our targeted market segments. If our Group is unable to anticipate and identify new market trends and development, the demand for our products or services may be affected which will then have an impact on our Group's operating results. To keep abreast on new market trends and development of the industry, we participate in numerous exhibitions and conferences and are actively involved in various associations, namely, IECA, MBIC, Malaysian IGS, Australasia IECA and FMM.

In addition, our Group may incur significant costs relating to the development and marketing of new products and services, or improving or improvising existing products and services in response to what our Group perceives to be customers' preferences and demands. Such development or marketing efforts may not necessarily result in the desired level of market acceptance, volume of sales or profitability as anticipated by our Group. However, our management is mindful of the costs involved in such developments and our Group will conduct feasibility studies on the viability before embarking on the introduction and launching of new products.

(iii) Project management risk

We conduct our business substantially on project basis. As such, any under-estimate of the cost of a project for which we successfully bid for, cost overrun for a project and delay in the implementation of a project may result in adverse impact on our operating cash flows, financial condition and results of operations.

7. RISKS

Currently, we carry out a project cost and time schedule computation which takes into consideration relevant factors including costs of mobilisation, equipment, insurance, labour, materials and contingencies and availability of labour and material before we submit a bid for a project. We file the computation for the project costing and quotation or tender bid for future references, which enable us to monitor the profitability of each project and manage any cost overruns that might occur. Once we successfully secure any project, we will plan and allocate our resources before commencement of the project and submit our claims for payment on a timely basis. We monitor the projects closely to ensure that any problems are identified and resolved early to prevent substantial delay to any of the projects.

In addition, it is common in our industries for monies to be held by customers as retention sum against defects that may subsequently develop after the completion of projects. The retention sum, which is usually based on 5% to 10% of the total contract value, depending on the size of the contracts, will be released to us after expiry of Defects Liability Period as provided under our contracts with our customers after deducting claims for defective work, if any. If our customers do not release the retention sum after expiry of the agreed Defects Liability Period or require us to write off such amounts, our performance and results of operations may be materially and adversely affected.

We monitor closely the recovery of retention sum for projects which we undertake. To improve the collection of retention sum, we delegate the task of collection of retention sum to our personnel who has skill and knowledge of the relevant project.

In the situation where we engaged third-party contractors, we will assign our own project manager to monitor the progress of the relevant projects. The contractors that will be appointed will go through a stringent selection process based on the past track record with our Company as well as any other relevant selection criteria.

However, there can be no assurance that any failure or inefficiency in our management of the projects which we undertake will not materially affect our business, results of operation and financial condition.

(iv) Dependency on the infrastructure and construction sectors

Our Group's products and services are mainly sold to construction-based companies, on a project basis. The nature of the infrastructure and construction sectors is such that retainer or recurrent business is not assured as demand for geosynthetics products and services tends to depend on the design requirement of the specific projects. As such, the future profitability of our Group may be dependent to a certain extent on the prospects of the infrastructure and construction sectors. Therefore, in the absence of recurrent business due to the nature of the infrastructure and construction sectors, our Group is at risk to lower turnover if we are not able to secure new contracts.

(v) Threat of substitutes

There are different types of substitutes for erosion control products and materials and this comes in different forms and types of materials and engineering systems. Specially graded sands, gravels or other types of materials and in some cases, different engineering systems or methods may all be used as substitutes to our products and services. Some examples include:

- (a) for soil consolidation, vibro compaction may be used instead of PVD;
- (b) for slope stabilisation, RC/RE wall may be used instead of Omega wall/MSE gabion wall/Geogrid wall;

7. RISKS

- (c) for a variety of situations, concrete structures, stone columns and sand columns may be used instead of geotextiles and geogrids;
- (d) for road construction, a thicker layer of sub-grade may be used instead of geotextiles to provide a stronger road base and an even distribution of load;
- (e) for slope surface erosion control, guniting and soil nailing may be used instead of Fibrocell or Erosion Control Blanket;
- (f) for river bank protection, RC wall or steel sheet pile may be used instead of Profix SFM or geobag; and
- (g) for sanitary landfill, a thicker layer of impermeable clay may be used instead of HDPE Geomembrane or Geosynthetic Clay Liners to prevent seepage.

However, erosion control products may have advantages over other types of systems and methods including cost-effectiveness, convenience, space savings, ease of installation, material quality control, construction control and technical superiority. There are no direct substitutes for erosion control products per se. This is mainly due to the fact that there are no other feasible materials that can provide the same flexibility or properties similar to erosion control products.

As such, although there are substitute products, erosion control products continue to represent the more cost-effective, practical and effective solution to civil engineering and environmental works. These benefits are some of the main reasons for the continual growth of the erosion control products in the world market.

(vi) Fluctuation in prices of raw materials

The cost of sourcing raw materials for the production of fibres and yarn is subject to fluctuation in world prices. In some instances, increase in the price of raw materials are not easily passed onto users. This could impact the margin or alternatively, if the increase in cost is passed onto users, the manufacturer may not be price competitive against alternative solutions. Notwithstanding, manufacturers with strong financial stability are able to hold stocks of this raw material to cushion against fluctuations in prices. As this raw material is a commodity, it is therefore subject to world prices and hence all manufacturers that use polymer are equally affected.

(vii) New products and developing new markets

Our Group have invested in capital expenditure, i.e. purchase of equipment and production of new products such as PVD and weed control mat. Whilst we have invested in these new products, there can be no certainty as to the demand for our proposed new products as our Group has not previously established a market for these products.

Our Group have commenced commercial production of PVD since the third (3rd) quarter of the year 2018. For the past three (3) years, we have been undertaking installation of PVD projects using third party PVD products. Hence, we had decided to manufacture the PVD products on our own as we have a ready market for the PVDs that meets the required specifications. Furthermore, we already have the manufacturing facilities by utilizing our existing machinery to manufacture the weed control mat.

Whilst these products represent opportunities for our Group to further expand our business, there is potential risk that the investment will not be successful and that our Group may suffer losses as a result. The Directors will ensure that proper market assessment is carried out prior to investing in the production of new products in order to reduce the risks involved. However in respect of PVD, we already have an established market for these products as we have been trading

7. RISKS

in these products since the year 2015. Therefore, venturing from merely trading to manufacturing these products and moving further downstream is unlikely to expose our Group to major risk.

(viii) Failure to adopt new technologies

Our products and services are prone to evolving industry standards and frequent new product introductions and enhancements. Our Group's future growth and success would significantly depend on continuing market acceptance of the portfolio of our products and services and our ability to develop new products and services to meet the needs of our customers.

In the event our products become outdated or obsolete, these products will be upgraded or a new product with enhanced functionalities will be developed to cater for the market demand. The development of new or enhanced products and services is a complex and uncertain process.

Furthermore, we may also experience design, marketing and other operational difficulties that could delay or prevent the development, introduction or marketing of our new products and services.

Our Group seeks to limit these risks through our continuous investment in R&D activities and to actively engage in the industry's corporate and marketing activities in order to remain technologically relevant and to gauge and project market expectations. In addition, we will constantly enhance and work in improving our customer service by obtaining feedback from our customers for our R&D initiation and product enhancement.

However, there can be no assurance that we will be able to successfully anticipate technological changes and to develop new products and services in a timely manner and/or cost-effectively. Such circumstances may in turn adversely affect our business operations and financial performance. Additionally, there can be no assurance that our R&D activities will be successful. Unsuccessful R&D activities may have a negative impact on our financial performance as the R&D expenses incurred may be substantial vis-à-vis our revenue for the relevant financial years.

(ix) Political, economic, regulatory and social developments in Malaysia

Our business, prospects, financial condition and results of operations may be affected by political, economic, regulatory and social developments that are beyond our control in Malaysia. Such developments include, but are not limited to, the risks of war, terrorism, riots, nationalisation, expropriation, renegotiation or nullification of contracts, changes in interest rates, economic recession, fiscal and monetary policies of the Government such as foreign exchange control regulations, inflation, deflation, methods of taxation and tax policy (including customs, excise, duties and tariffs), unemployment trends, deterioration of international bilateral relationships and other matters that influence consumer confidence and spending. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency and magnitude. Negative developments in the socio-political environment in Malaysia such as minimum wage increases and/or restrictions on bringing in foreign workers may materially and adversely affect our business, financial conditions, results of operations and prospects.

Some types of losses such as from acts of war, terrorism and riots, may be either uninsurable or too prohibitive to justify insuring against. Should an uninsured loss or a loss in excess of incurred limits occur, our Group's business, prospects, financial conditions and results of operations may be materially and adversely affected.

Any unfavourable changes in Government laws, regulations and policies (such as licensing regulations, wage requirements and changes to taxes) may have a material adverse effect on our business, financial performance and results of operations.

7. RISKS

7.3 Risks of Investing in our Shares

(i) Proposed Listing may be delayed or not eventuate

We have targeted to list our Company on the LEAP Market within six (6) months from the date of this Information Memorandum. Our Proposed Listing on the LEAP Market is subject to, among others, receiving approval-in-principle from Bursa Securities. There is no assurance that we will be able to list our Company on the LEAP Market within the planned timeframe.

The Proposed Listing may be delayed or aborted by unforeseen events, which may include, but are not limited to, the following:

- (a) We are unable to meet the public shareholding spread requirement as determined by Bursa Securities, whereby at least 10.0% of our enlarged share capital for which the Proposed Listing is sought is in the hands of public shareholders; and
- (b) The revocation of approvals from the relevant authorities for our Proposed Listing and/or admission to the Official List of the LEAP Market of Bursa Securities for whatever reason.

In this respect, we will best endeavor to comply with the various regulatory requirements to ensure our successful listing on the LEAP Market. However, no assurance can be given that the abovementioned events will not cause a delay in or non-implementation of our Proposed Listing.

In the event that the Proposed Listing does not take place within six (6) months from the date of Bursa Securities' approval for the Proposed Listing (or such further extension of time as Bursa Securities may allow), or we abort the Proposed Listing, the Sophisticated Investors will not receive any Placement Shares but will be returned in full, without interest, all monies paid in respect of any application for our Placement Shares within fourteen (14) days, and our Board shall be jointly and severally liable to repay such money with interest at the rate of 10% per annum from the end of the period or such other rate as Bursa Securities may prescribe until full refund is made.

In the event our Proposed Listing is aborted and/or terminated, and our Shares have been allotted to the shareholders. A return of monies to all of our shareholders could only be achieved by way of cancellation of share capital as provided under the Act and its related rules. Such cancellation requires the sanction of our shareholders by special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaysia) and the confirmation of the High Court of Malaysia. There can be no assurance that such monies can be recovered within a short period of time or at all in such circumstances.

(ii) No prior trading market for our Shares

Prior to the Proposed Placement, there has been no public trading market for our Shares. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or if developed, that such a market can be sustained. There is also no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares. The Issue Price was determined after taking into consideration various factors and we believe that a variety of factors could cause our Share price to fluctuate which may adversely affect the market price of our Shares.

7. RISKS

(iii) Volatility in our share price and trading volume

Upon completion of our Proposed Listing, the trading price of our Shares could be subject to significant fluctuation due to factors specific to our Group or the industry in which our Group is operating in. These factors include, but are not limited to, the variations in the results of our Group's operations due to changes in general market conditions and broad market fluctuations.

In addition, the performance of securities listed on the regional and global equity market could be affected by external factors such as the performance of the regional and global bourses and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares. Nevertheless, the profitability of our Group is not dependent on the performance of Bursa Securities as the business activities of our Group have no direct correlation with the performance of securities listed on Bursa Securities.

Furthermore, the LEAP Market is limited to Sophisticated Investors only, which in turn limits the potential liquidity level in the market. It may be more difficult for our shareholders to realise their investment on the LEAP Market than to realise an investment in a company whose shares are quoted on the Main Market or ACE Market of Bursa Securities.

(iv) Disclosure regarding forward-looking statements

Certain statements in this Information Memorandum are forward-looking in nature and are subject to uncertainty and contingencies. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, there can be no assurance that such expectations will materialize.

The inclusion of forward-looking statements in the Information Memorandum should not be regarded as a representation or warranty by our Company, DWA Advisory or any other adviser that the plans and objectives of our Company will be achieved.

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8. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST**8.1 Related Party Transactions**

Under the Listing Requirements, a 'related party transaction' is a transaction entered between the listed corporation or its subsidiaries and a related party, other than a transaction of a revenue nature in the ordinary course of business. A 'related party' of a listed issuer is:

- (i) a director having the same meaning given in Section 2(1) of the CMSA; or
- (ii) a major shareholder who has an interest of 10.0% or more of the total number of voting shares in a corporation; or
- (iii) a person connected with such director or major shareholder.

8.2 Existing and Proposed Related Party Transactions

Save as disclosed below, there is no other related party transaction, existing or proposed, entered or to be entered into by our Group which involves the interests, direct or indirect, of our Directors, major shareholders and/or persons connected with them for the FYE 31 December 2016, FYE 31 December 2017 and for the subsequent period up to the LPD:

Transacting parties	Related party and nature of relationship	Nature of transaction	Actual transaction value		
			FYE 31 December 2016 RM	FYE 31 December 2017 RM	Subsequent period up to the LPD RM
(i) MTS Fibromat and Linetech	Ng Kian Boon and Wong Teck Ching who are directors and were shareholders of MTS Fibromat, are also directors and shareholders of Linetech.	<ul style="list-style-type: none"> • Acquisition of Batu Caves Property by MTS Fibromat from Linetech 	-	-	2,000,000.00
		<ul style="list-style-type: none"> • Rental of Batu Caves Property by MTS Fibromat from Linetech 	72,000.00	72,000.00	-

8. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

Transacting parties	Related party and nature of relationship	Nature of transaction	Actual transaction value		Subsequent period up to the LPD RM
			FYE 31 December 2016 RM	FYE 31 December 2017 RM	
		<ul style="list-style-type: none"> Sale of Securedrain CWD 40, non-woven geotextile and bentoshield by MTS Fibromat to Linetech 	39,920.00	-	-
		<ul style="list-style-type: none"> Purchase of Keystone Compact Unit by MTS Fibromat from Linetech 	115,842.00	99,870.00	-
		<ul style="list-style-type: none"> Administrative fees paid by Linetech to MTS Fibromat for sharing of administrative staff and utilities 	2,800.00	4,452.00	-

Our Directors are of the opinion that the purchase of the Batu Caves Property was carried out based on willing buyer willing seller basis, after taking into consideration the market value of the surrounding properties. Our Directors are also of the opinion that the other transactions above were carried out on an arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not to the detriment to our minority shareholders.

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8. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

8.3 Transactions that are Unusual in their Nature or Conditions

There are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Company or our subsidiary was a party in respect of FYE 31 December 2016, FYE 31 December 2017 and for the subsequent period up to the LPD.

8.4 Outstanding Loans Made by our Company or our subsidiary for the benefit of Related Parties

There are no other outstanding loans (including guarantees of any kind) made by our Company or our subsidiary, to or for the benefit of any related party in respect of FYE 31 December 2016, FYE 31 December 2017 and for the subsequent period up to the LPD.

Upon our Listing, our Directors, through the senior management, will review the terms of related party transactions and ensure that any related party transactions (including recurrent, if any) are:

- (i) carried out on an arm's length basis;
- (ii) not carried out on terms more favourable to the related parties than those normally agreed with other customers or suppliers; and
- (iii) not to the detriment of our minority shareholders.

8.5 Interests in Similar Businesses and other Conflict of Interest Situations

As at the LPD, having made all reasonable enquiries and to the best knowledge and belief of our Directors and substantial shareholders, none of our Directors and/or substantial shareholders are interested, directly or indirectly in any other businesses and/or corporations carrying on a similar trade as our Group or in any other businesses and/or corporations which are the customers or suppliers of our Group.

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9. ADDITIONAL INFORMATION

9.1 Directors' Responsibility Statement

This Information Memorandum has been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information and statements contained in this Information Memorandum. After having made all reasonable enquiries, and to the best of their knowledge, information and belief, they confirm that there are no false or misleading statements or other material facts, which, if omitted, would make any statement in this Information Memorandum false or misleading.

9.2 Consents

The written consents of the Approved Adviser, Placement Agent, Continuing Adviser, Company Secretaries, Auditors, Solicitor, Independent Market Researcher and Share Registrar to the inclusion in this Information Memorandum of their names in the form and context in which such names appear have been given before the issue of this Information Memorandum and have not subsequently been withdrawn.

9.3 Declarations of Conflict of Interest by our Advisers

- (i) DWA Advisory has given its written confirmation that, as at the date of this Information Memorandum, there is no existing or potential conflict of interest in its capacity as the Approved Adviser, Continuing Adviser and Placement Agent for our Proposed Listing;
- (ii) Messrs. Lee Choon Wan & Co. has given its written confirmation that, as at the date of this Information Memorandum, there is no existing or potential conflict of interest in its capacity as the Solicitor for our Proposed Listing;
- (iii) BDO PLT has given its written confirmation that, as at the date of this Information Memorandum, there is no existing or potential conflict of interest in its capacity as Auditor for our Proposed Listing;
- (iv) Smith Zander International Sdn Bhd has given its written confirmation that, as at the date of this Information Memorandum, there is no existing or potential conflict of interest in its capacity as the Independent Business and Market Research Consultants to our Company for our Proposed Listing;
- (v) Company Secretary has given her written confirmation that, as at the date of this Information Memorandum, there is no existing or potential conflict of interest in her capacity as the Company Secretary to our Company for our Proposed Listing; and
- (vi) Boardroom Share Registrar Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd) has given its written confirmation that, as at the date of this Information Memorandum, there is no existing or potential conflict of interest in its capacity as the Share Registrar to our Company for our Proposed Listing.

9.4 Material Litigation and Contingent Liabilities

As at the LPD, we are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and our Board does not know of any proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially or adversely affect our position or business.

As at the LPD, there is no contingent liability which, upon becoming enforceable, may have material impact on our financial position or business.

9. ADDITIONAL INFORMATION

9.5 Material Contracts

Save as disclosed below, there are no contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by our Company or our subsidiary companies within the past two (2) years immediately preceding the date of this Information Memorandum:

- (i) Sale and Purchase agreement, dated 18 August 2017, between Linetech (M) Sdn Bhd and MTS Fibromat in relation to the purchase of Batu Caves Property, for a total purchase consideration of RM2,000,000 (Ringgit Malaysia Two Million) only;
- (ii) Sale and Purchase Agreement of Euroland Property 1;
- (iii) Sale and Purchase Agreement of Euroland Property 2; and
- (iv) MTS Fibromat Share Sale Agreement.

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9. ADDITIONAL INFORMATION

9.6 Licenses and Permits

As at the LPD, there are no approvals/permits/licenses issued to our Group for us to carry out our operations, other than those relating to our business requirements. Details of the approvals, major licences and permits have been obtained by our Group for the operation of our business and the status of compliance are as set out below:

Company	Approving Authority/ Issuer	Description of Licence /Approval/ Permit	Licence/Reference No.	Date of Issuance / Validity
(i) MTS Fibromat	MITI	Manufacturing licence pursuant to the ICA for the manufacturing of sand filled mattress, non-woven geotextile and gabion at Lot 2 & 4, Jalan Zurah 4, Pusat Perindustrian Zurah, Mukim Rasa, 44200 Rasa, Selangor Darul Ehsan.	A019833	Date of issuance: 23 November 2016 Commencement date: 15 October 2014 Expiry date: Nil ⁽ⁱ⁾
(ii) MTS Fibromat	MITI	Manufacturing licence pursuant to the ICA for the manufacturing of bio erosion control blanket and turf reinforced matrix, green mattress, sand container, coirlog and fibrocell at Lot PT 9587, Jalan Penanga 2, Bukit Beruntung Industrial Park, Bukit Beruntung, Mukim Serendah, Hulu Selangor, Selangor Darul Ehsan.	A019834	Date of issuance: 23 November 2016 Commencement date: 15 October 2014 Expiry date: Nil ⁽ⁱ⁾
(iii) Ng Kian Boon, MTS Fibromat	Majlis Daerah Selangor	Business licence for Lot 2 & 4, Jalan Zurah 4, Kawasan Perindustrian Zurah, 44200 Rasa: (a) To produce/ process/ wholesale/ store/ sell/ wire filing services, wire mesh and chain fence (exceeding 2,000 m ²); and (b) Horizontal non-illuminated advertisement.	05/L/0576	Effective date: 1 January 2019 Expiry date: 31 December 2019

9. ADDITIONAL INFORMATION

Company	Approving Authority/ Issuer	Description of Licence /Approval/ Permit	Licence/Reference No.	Date of Issuance / Validity
(iv) Ng Kian Boon, MTS Fibromat	Majlis Daerah Hulu Selangor	Business licence for No.2, Jalan Kenanga 2, Perindustrian Jalan Kenanga, 4300 Bukit Beruntung: (a) To produce or process or wholesale or store or sell product services from plastic and products from PVC (exceeding 2,000 m ²); and (b) Horizontal non-illuminated advertisement.	File No.: 09/L/4734	Effective date: 1 January 2019 Expiry date: 31 December 2019
(v) MTS Fibromat	Majlis Perbandaran Selayang	Licence for 573 A, B & C Jalan Samudra Utara 1, Taman Samudra, 68100 Batu Caves, Selangor: (a) Administrative office (90 square meters to 120 square meters); and (b) Licence sticker.	201800013381 Reference No.: MPS 2/6-9667	Effective date: 1 January 2019 Expiry date: 31 December 2019
(vi) MTS Fibromat	Majlis Perbandaran Selayang	Licence for 574 & 574B Jalan Samudra Utara 1, Taman Samudra, 68100 Batu Caves, Selangor: (a) Administrative licence (90 square meters to 120 square meters); (b) Illuminated advertisement; and (c) Licence sticker.	201800013382 Reference No.: MPS 2/6-9666(PI)	Effective date: 1 January 2019 Expiry date: 31 December 2019
(v) MTS Fibromat	MIDA	Exemption of import duty on the following raw material to produce the following finished product which are not subject to import duty:	Reference No.: 320/17230/007628/000012IPC2	Commencement date: 5 June 2017

9. ADDITIONAL INFORMATION

Company	Approving Authority/ Issuer	Description of Licence /Approval/ Permit	Licence/Reference No.	Date of Issuance / Validity
		<p><u>Raw Material:</u> Bio-Oriented Photodegradable PP Netting; and</p> <p><u>Finished Product:</u> "Fibromat Biodegradable Erosion Control Blanket & Fibromat Ecomax Turf Reinforcement Matrix";</p> <p>at Lot 2 & 4, Jalan Zurah 4, Pusat Perindustrian Zurah, Mukim Rasa, 44200 Rasa, Selangor Darul Ehsan.</p>		<p>Expiry date: 4 June 2020</p>
(vi)	MTS Fibromat	Customs Department	W10-CI-14000049/2014	Effective date: 17 December 2014
(vii)	MTS Fibromat	CIDB	0120071218-WP116266	<p>Issuance date: 15 December 2017</p> <p>Validity period: 15 December 2017 – 23 May 2020</p>
		<p>Certificate of registration with CIDB issued pursuant to Part VI of Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994 (Construction Industry Development Board Act 1994) in respect of:</p> <p>(a) Grade G7, Category B, registration specialization B04;</p> <p>(b) Grade G7, Category CE, registration specialisation CE21, CE14, CE08; and</p> <p>(c) Grade G7, Category ME, registration specialisation M15.</p>		

9. ADDITIONAL INFORMATION

Company	Approving Authority/ Issuer	Description of Licence /Approval/ Permit	Licence/Reference No.	Date of Issuance / Validity
(viii) MTS Fibromat	CIDB	Certificate of registration with CIDB issued pursuant to Part VI of Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994 (Construction Industry Development Board Malaysia Act 1994) in respect of: (a) Grade G4, Category B, registration specialisation B04; and (b) Grade G4, Category CE, registration specialisation CE21, CE08, CE14.	0120071218-WP116266	Issuance date: 24 May 2017 Validity period: 23 May 2017 – 23 May 2020
(ix) MTS Fibromat	MITI	Cost analysis application approval for ASEAN-Korea Free Trade Agreement Scheme (“AKFTA”) for the following product:	FAK-FKN-W-170821-KL-000004	Commencement date: 14 September 2017 Expiry date: 13 September 2019

Product Description	Brand/Model	Origin Criteria
Other	Fibromat MP1000, Fibromat MP700	CTC

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9. ADDITIONAL INFORMATION

Company	Approving Authority/ Issuer	Description of Licence /Approval/ Permit	Licence/Reference No.	Date of Issuance / Validity						
(x) MTS Fibromat	MITI	Cost analysis application approval for Asean and India Free Trade Agreement (“AIFTA”) for the following product: <table border="1"> <thead> <tr> <th>Product Description</th> <th>Brand/ Model</th> <th>Origin Criteria</th> </tr> </thead> <tbody> <tr> <td>Other</td> <td>Profix Tubular Filled Mattress</td> <td>Flexible Sand + CTSH</td> </tr> </tbody> </table>	Product Description	Brand/ Model	Origin Criteria	Other	Profix Tubular Filled Mattress	Flexible Sand + CTSH	FAI-FIN-W-160804-KL-000001	Commencement date: 1 November 2018 Expiry date: 31 October 2020
Product Description	Brand/ Model	Origin Criteria								
Other	Profix Tubular Filled Mattress	Flexible Sand + CTSH								
(xi) MTS Fibromat	MITI	Cost analysis application approval for Asean Trade-In Goods Agreement (“ATIGA”) for the following product: <table border="1"> <thead> <tr> <th>Product Description</th> <th>Brand/ Model</th> <th>Origin Criteria</th> </tr> </thead> <tbody> <tr> <td>Other</td> <td>Fibrocell 100mm, 150mm, 200mm, 75mm Fibrocell (Textured) 100mm, 150mm, 200mm, 75mm.</td> <td>CTH</td> </tr> </tbody> </table>	Product Description	Brand/ Model	Origin Criteria	Other	Fibrocell 100mm, 150mm, 200mm, 75mm Fibrocell (Textured) 100mm, 150mm, 200mm, 75mm.	CTH	CPT-CCN-W-170328-KL-000038	Commencement date: 11 April 2017 Expiry date: 10 April 2019
Product Description	Brand/ Model	Origin Criteria								
Other	Fibrocell 100mm, 150mm, 200mm, 75mm Fibrocell (Textured) 100mm, 150mm, 200mm, 75mm.	CTH								

Note:


(i) In accordance to Industrial Co-ordination Rules 1976 (“ICA”), every licence shall be valid unless revoked under Section 6 of the ICA.

9. ADDITIONAL INFORMATION

9.7 Intellectual Property Rights

Save as disclosed below, as at the LPD we do not have any other licences, patents, trademarks, brand names, franchises and other intellectual property rights:

9.7.1 Trademark registrations

No.	Trademark	Issuing authority	Description	Status / Registration Validity
(i)	 <small>EROSION CONTROL GEOSYNTHETIC</small>	Intellectual Property Corporation of Malaysia	Nets, sacks, padding or stuffing materials (fibres, straws, coconut fibres); raw fibrous textile materials; all included in class 22	Registered / valid until 8 October 2019 Certificate issuance date: 30 July 2009

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9. ADDITIONAL INFORMATION

9.8 Documents Available for Inspection

Copies of the following documents are available for inspection at our Registered Office, free of charge, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for at least one (1) month after the listing of the Company on the LEAP Market:

- (i) the Information Memorandum;
- (ii) the Constitution of our Company;
- (iii) the material contracts as referred to in Section 9.5 of this Information Memorandum;
- (iv) the Independent Market Research Report dated 26 March 2019;
- (v) the valuation reports in relation to Bukit Beruntung Property, Rasa Property (Lot 2) and Rasa Property (Lot 4) and Batu Caves Property dated 5 December 2018;
- (vi) the declarations of conflict of interest and letters of consent as referred to in Section 9.3 of this Information Memorandum;
- (vii) the Auditors' reports and combined financial statements of Fibromat Group for FYE 31 December 2016 and FYE 31 December 2017; and
- (viii) the unaudited combined financial statements of Fibromat Group for eight (8) months FPE 31 August 2018.

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