

FIBROMAT (M) BERHAD (201201037651 (1022133- V))
(Incorporated in Malaysia)

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
31 DECEMBER 2019

FIBROMAT (M) BERHAD (201201037651 (1022133 - V))
(Incorporated in Malaysia)

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FIBROMAT (M) BERHAD (201201037651 (1022133 - V))

(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The principal activities and details of the subsidiary are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

RESULTS

	Group RM	Company RM
Loss for the financial year	<u>3,072,956</u>	<u>1,128,799</u>

DIVIDEND

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2019.

On 15 April 2020, the Directors declared a first interim tax exempt dividend of 1.40 sen per share for the financial year ending 31 December 2020, paid on 5 May 2020. The financial statements for the current financial year do not reflect this first interim dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the Note 15 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 3 to 216,000,000 by way of issuance of 215,999,997 new ordinary shares pursuant to the following:

- (i) subdivision of every One (1) existing ordinary share capital into Five (5) ordinary shares;
- (ii) 194,399,985 shares at an issue price of RM0.20 each pursuant to the acquisition of a subsidiary;
- (iii) 21,600,000 shares at an issue price of RM0.29 each for cash pursuant to its Initial Public Offering exercise.

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

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

Mohd Tarmim bin Sidek*	
Ng Kian Boon*	
Ng Chun Hou*	(appointed on 8 March 2019)
Fauziah Binti Ahmad	(appointed on 8 March 2019)
Loo Pak Soon	(appointed on 22 August 2019)
Wong Teck Ching	(resigned on 22 August 2019)

* These Directors of the Company are also Directors of the subsidiary of the Company.

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company during the financial year ended 31 December 2019 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	Balance as at 1.1.2019	Subdivision of shares [^]	Number of ordinary shares		Balance as at 31.12.2019
			Bought	Sold	
<u>Direct interests:</u>					
Mohd Tarmim bin Sidek	1	4	5,832,000	-	5,832,005
Ng Kian Boon	1	4	169,127,986	-	169,127,991
<u>Deemed interest:</u>					
Ng Chun Hou *	1	4	169,127,986	-	169,127,991

[^] subdivision of every One (1) existing ordinary share into Five (5) ordinary shares on 1 April 2019.

* Deemed interest through shares held by his father, Ng Kian Boon pursuant to Section 8 of the Companies Act 2016.

By virtue of Ng Kian Boon's and Ng Chun Hou's substantial interests in the shares of the Company, they are deemed to have interest in the shares of the subsidiary to the extent that the Company has an interest.

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

DIRECTORS' BENEFITS

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

There were no arrangements made during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

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

INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

The Group and the Company effected Directors' liability insurance during the financial year to protect the Directors of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors.

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and the officers of the Group are RM5,000,000 and RM11,700 respectively.

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

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

**OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY
(continued)**

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

- (c) The Directors are not aware of any circumstances:
 - (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
 - (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 33 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant events subsequent to the end of the reporting period is disclosed in Note 34 to the financial statements.

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

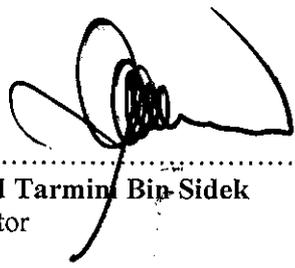
The details of auditors' remuneration of the Company and its subsidiary for the financial year ended 31 December 2019 are disclosed in Note 25 to the financial statements.

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



.....
Ng Kian Boon
Director

Kuala Lumpur
23 June 2020



.....
Mohd Tarmin Bin Sidek
Director

FIBROMAT (M) BERHAD (201201037651 (1022133 - V))

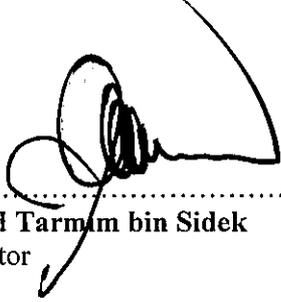
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 13 to 60 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,


.....
Ng Kian Boon
Director


.....
Mohd Tarmim bin Sidek
Director

Kuala Lumpur
23 June 2020

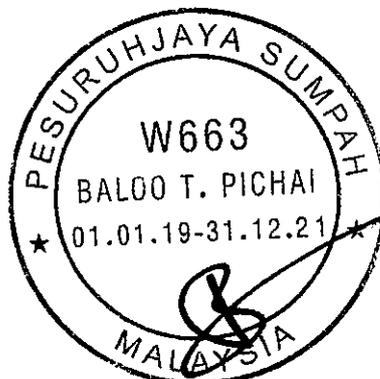
STATUTORY DECLARATION

I, Ng Kian Boon, being the Director primarily responsible for the financial management of Fibromat (M) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 13 to 60 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared by the abovenamed at
Kuala Lumpur this
23 June 2020


Ng Kian Boon

Before me:



Un.. 50-10-1, Tingkat 10
Wisma UOA Damansara
No. 50, Jalan Dungun
Damansara Heights
50490 Kuala Lumpur



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FIBROMAT (M) BERHAD
(Incorporated in Malaysia)**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fibromat (M) Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 13 to 60.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FIBROMAT (M) BERHAD (continued)
(Incorporated in Malaysia)**

Key Audit Matters (continued)

Key Audit Matters for the Group

(a) *Recognition of revenue from services rendered*

Revenue from services rendered during the financial year as disclosed in Note 22 to the financial statements is RM10.4 million.

We determined this to be a key audit matter because it requires management to exercise significant judgement in determining performance obligations, transaction price allocation and costs in applying the input method to recognise revenue over time.

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

Audit response

Our audit procedures included the following:

- a. Assessed estimated total costs to complete through inquiries of operational and financial personnel of the Group;
- b. Inspected documentation to support cost estimates made including contract variations and cost contingencies;
- c. Compared contract budgets to actual outcomes to assess reliability of management budgeting process and controls; and
- d. Inspected correspondences from sub-contractors in relation to variations and claims to corroborate key judgement applied by management.
- e. Recomputed the results of the input method determined by management using actual costs incurred and budgeted costs.

(b) *Impairment of trade receivables*

Gross trade receivables of the Group as at 31 December 2019 were RM16.4 million as disclosed in Note 10 to the financial statements.

We determined this to be key audit matter because it requires management to exercise significant judgement in determining the probability of default by trade receivables, appropriate forward looking information.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FIBROMAT (M) BERHAD (continued)
(Incorporated in Malaysia)**

Key Audit Matters (continued)

Key Audit Matters for the Group (continued)

(b) *Impairment of trade receivables (continued)*

Audit response

Our audit procedures included the following:

- a. Recomputed the probability of default using historical data and forward looking information adjustment applied by the Group;
- b. Recomputed the correlation coefficient between the macroeconomic indicators used by the Group and historical losses to determine the appropriateness of the forward-looking information used by the Group; and
- c. Inquiries of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses.

Key Audit Matters for the Company

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the financial statements of the Group and of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FIBROMAT (M) BERHAD (continued)
(Incorporated in Malaysia)**

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group and of the Company.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FIBROMAT (M) BERHAD (continued)
(Incorporated in Malaysia)**

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

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

- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FIBROMAT (M) BERHAD (continued)
(Incorporated in Malaysia)**

Other Matters

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

A handwritten signature in black ink, appearing to read 'BDO PLT'.

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Kuala Lumpur
23 June 2020

A handwritten signature in black ink, appearing to read 'Tan Seong Yuh'.

Tan Seong Yuh
03314/07/2021 J
Chartered Accountant

FIBROMAT (M) BERHAD (201201037651 (1022133 - V))

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	16,896,187	24,047,583	-	-
Right-of-use assets	6	3,277,151	-	-	-
Investment in a subsidiary	7	-	-	38,435,997	-
Investment property	8	1,027,471	1,010,059	-	-
		21,200,809	25,057,642	38,435,997	-
Current assets					
Inventories	9	13,089,296	10,695,002	-	-
Trade and other receivables	10	12,769,219	22,699,819	3,375,920	-
Contract assets	11	723,248	2,161,813	-	-
Current tax assets		1,638,014	1,237,214	-	-
Cash and bank balances	12	3,747,190	2,298,144	734,323	3
		31,966,967	39,091,992	4,110,243	3
Asset classified as held for sale	13	2,810,075	-	-	-
TOTAL ASSETS		<u>55,977,851</u>	<u>64,149,634</u>	<u>42,546,240</u>	<u>3</u>
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	14	44,700,000	6,500,003	44,700,000	3
Merger reserve	15	(31,935,997)	-	-	-
Retained earnings/ (Accumulated losses)		21,379,252	24,452,208	(2,246,510)	(1,117,711)
TOTAL EQUITY/(CAPITAL DEFICIENCY)		<u>34,143,255</u>	<u>30,952,211</u>	<u>42,453,490</u>	<u>(1,117,708)</u>

FIBROMAT (M) BERHAD (201201037651 (1022133 - V))

(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 (continued)**

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
LIABILITIES					
Non-current liabilities					
Borrowings	16	5,230,849	8,029,892	-	-
Lease liabilities	6	654,147	-	-	-
Deferred tax liabilities	20	60,456	249,881	-	-
		5,945,452	8,279,773	-	-
Current liabilities					
Trade and other payables	21	8,525,510	14,720,283	92,750	1,117,711
Contract liabilities	11	1,417,320	974,203	-	-
Borrowings	16	5,515,991	9,223,164	-	-
Lease liabilities	6	430,323	-	-	-
		<u>15,889,144</u>	<u>24,917,650</u>	<u>92,750</u>	<u>1,117,711</u>
TOTAL LIABILITIES		<u>21,834,596</u>	<u>33,197,423</u>	<u>92,750</u>	<u>1,117,711</u>
TOTAL EQUITY AND LIABILITIES		<u>55,977,851</u>	<u>64,149,634</u>	<u>42,546,240</u>	<u>3</u>

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

FIBROMAT (M) BERHAD (201201037651 (1022133 - V))

(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Revenue	22	41,681,040	61,277,841	-	-
Cost of sales	23	<u>(36,434,755)</u>	<u>(50,932,993)</u>	-	-
Gross profit		5,246,285	10,344,848	-	-
Other income		1,831,264	2,956,835	-	-
Administrative expenses		(6,700,367)	(5,517,158)	(1,128,799)	(372,755)
Selling and distribution costs		(2,127,307)	(2,010,970)	-	-
Finance costs	24	<u>(1,185,971)</u>	<u>(1,292,297)</u>	-	-
(Loss)/Profit before tax	25	(2,936,096)	4,481,258	(1,128,799)	(372,755)
Tax expense	26	<u>(136,860)</u>	<u>(1,614,048)</u>	-	-
(Loss)/Profit for the financial year		(3,072,956)	2,867,210	(1,128,799)	(372,755)
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive (loss)/income, attributable to owners of the parent		<u>(3,072,956)</u>	<u>2,867,210</u>	<u>(1,128,799)</u>	<u>(372,755)</u>
Earnings per share attributable to owners of the parent:					
Basic and diluted (loss)/earnings per ordinary share (sen)	28	<u>(1.94)</u>	<u>44.11</u>		

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

FIBROMAT (M) BERHAD (201201037651 (1022133 - V))

(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Note	Share capital RM	Merger reserve RM	Retained earnings RM	Total RM
Balance as at 1 January 2018		6,500,003	-	25,584,998	32,085,001
Profit for the financial year		-	-	2,867,210	2,867,210
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	2,867,210	2,867,210
Transaction with owners					
Dividends paid	29	-	-	(4,000,000)	(4,000,000)
Balance as at 31 December 2018		6,500,003	-	24,452,208	30,952,211
Loss for the financial year		-	-	(3,072,956)	(3,072,956)
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive loss		-	-	(3,072,956)	(3,072,956)
Transactions with owners					
Acquisition of a subsidiary in business combination under common control	14	31,935,997	(31,935,997)	-	-
Issuance of ordinary shares	14	6,264,000	-	-	6,264,000
Total transactions with owners		38,199,997	(31,935,997)	-	6,264,000
Balance as at 31 December 2019		44,700,000	(31,935,997)	21,379,252	34,143,255

FIBROMAT (M) BERHAD (201201037651 (1022133 - V))

(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Company	Note	Share capital RM	Accumulated losses RM	Total RM
Balance as at 1 January 2018		3	(744,956)	(744,953)
Loss for the financial year		-	(372,755)	(372,755)
Other comprehensive income, net of tax		-	-	-
Total comprehensive loss		-	(372,755)	(372,755)
Balance as at 31 December 2018		3	(1,117,711)	(1,117,708)
Loss for the financial year		-	(1,128,799)	(1,128,799)
Other comprehensive income, net of tax		-	-	-
Total comprehensive loss		-	(1,128,799)	(1,128,799)
Transactions with owners				
Ordinary shares issued pursuant to acquisition of a subsidiary	14	38,435,997	-	38,435,997
Issuance of ordinary shares	14	6,264,000	-	6,264,000
Total transactions with owners		44,699,997	-	44,699,997
Balance as at 31 December 2019		44,700,000	(2,246,510)	42,453,490

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

FIBROMAT (M) BERHAD (201201037651 (1022133 - V))

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/Profit before tax		(2,936,096)	4,481,258	(1,128,799)	(372,755)
Adjustments for:					
Depreciation of property, plant and equipment	5	1,121,438	1,549,416	-	-
Depreciation of right-of-use assets	6	517,035	-	-	-
Impairment losses on:					
- property, plant and equipment		-	270,000	-	-
- trade receivables	10(f)	2,217,095	1,378,335	-	-
- amount owing by a subsidiary	10(h)	-	-	68,896	-
Finance costs	24	1,141,340	1,220,338	-	-
Loss on disposal of right-of-use assets	25	10,000	-	-	-
Interest income	25	(4,865)	(10,348)	-	-
Other receivables written off	25	-	500,153	-	-
Reversal of:					
- inventories written down	9(c)	(110,832)	(369,614)	-	-
- impairment losses on trade receivables	10(f)	(1,672,751)	(2,906,947)	-	-
Unrealised gain on foreign exchange, net	25	(42,816)	(67,571)	-	-
Operating profit/(loss) before changes in working capital		239,548	6,045,020	(1,059,903)	(372,755)
Inventories		(2,283,462)	(1,373,657)	-	-
Trade and other receivables		9,368,844	(2,438,353)	-	-
Contract assets		1,438,565	(2,161,813)	-	-
Trade and other payables		(5,194,773)	4,117,519	(1,024,961)	372,755
Contract liabilities		443,117	974,203	-	-
Cash generated from/(used in) operations		4,011,839	5,162,919	(2,084,864)	-
Tax paid		(1,725,595)	(1,479,170)	-	-
Tax refunded		998,510	-	-	-
Net cash from/(used in) operating activities		3,284,754	3,683,749	(2,084,864)	-

FIBROMAT (M) BERHAD (201201037651 (1022133 - V))

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 December 2019 (continued)

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Repayments to a related party		-	(164,364)	-	-
Advances to a subsidiary		-	-	(5,000,000)	-
Repayments by a subsidiary		-	-	1,555,184	-
Repayment by a Director		-	100,000	-	-
Interest received		4,865	10,348	-	-
Purchase of property, plant and equipment	5	(236,216)	(3,746,690)	-	-
Purchase of right-of-use assets		(40,787)	-	-	-
Placement of deposits pledged to licensed banks		-	(10,348)	-	-
Proceeds from disposal of right-of-use asset		55,000	-	-	-
Net cash used in investing activities		<u>(217,138)</u>	<u>(3,811,054)</u>	<u>(3,444,816)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	29	(1,000,000)	(4,000,000)	-	-
Proceeds from issuance of ordinary shares	14	6,264,000	-	6,264,000	-
Interest paid		(1,068,150)	(1,220,338)	-	-
Drawdown of term loan and banker's acceptance		2,463,505	5,345,968	-	-
Repayments of:					
- lease liabilities		(674,474)	-	-	-
- hire purchase liabilities		-	(885,212)	-	-
- term loans		(3,502,784)	(3,240,822)	-	-
- banker's acceptance		(3,745,968)	(577,000)	-	-
Net cash (used in)/from financing activities		<u>(1,263,871)</u>	<u>(4,577,404)</u>	<u>6,264,000</u>	<u>-</u>

FIBROMAT (M) BERHAD (201201037651 (1022133 - V))

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 December 2019 (continued)

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Net increase/(decrease) in cash and cash equivalents		1,803,745	(4,704,709)	734,320	-
Effects of exchange rate changes		42,816	67,571	-	-
Cash and cash equivalents at the beginning of financial year		<u>(385,180)</u>	<u>4,251,958</u>	<u>3</u>	<u>3</u>
Cash and cash equivalents at the end of financial year	12	<u><u>1,461,381</u></u>	<u><u>(385,180)</u></u>	<u><u>734,323</u></u>	<u><u>3</u></u>

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

FIBROMAT (M) BERHAD (201201037651 (1022133 - V))

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1. CORPORATE INFORMATION

Fibromat (M) Berhad (“the Company”) is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the LEAP Market of Bursa Malaysia Securities Berhad.

Bursa Malaysia Securities Berhad has, vide its letter dated 30 April 2019, approved the admission of the Company to the Official List, and the listing of and quotation for its entire enlarged issued share capital of the Company on the LEAP Market of Bursa Malaysia Securities Berhad. The ordinary shares of the Company were listed on the LEAP Market of Bursa Malaysia Securities Berhad on 30 May 2019.

The registered office of the Company is located at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at No. 574-A, Jalan Samudra Utara 1, Taman Samudra, 68100 Batu Caves, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 31 December 2019 comprise the financial statements of the Company and its subsidiary. These financial statements are presented in Ringgit Malaysia (“RM”), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 23 June 2020.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The principal activities and details of the subsidiary are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 35.1 to the financial statements.

The Group and the Company applied MFRS 16 *Leases* for the first time during the current financial year, using the modified retrospective method as at 1 January 2019. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

3. BASIS OF PREPARATION (continued)

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

During the financial year, the Group applied merger method of accounting on a retrospective basis arising from the acquisition of the entire equity interest of MTS Fibromat (M) Sdn. Bhd. by the Company in business combinations under common control. Consequently, the Group presented comparative information as if the business combinations had taken place before the beginning of the earliest period presented in the financial statements.

Consequently, the following accounting treatment has been applied in the consolidated financial statements arising from the business combinations under common control:

- (a) Assets and liabilities of the Company and MTS Fibromat (M) Sdn. Bhd. are recognised and measured at their pre-business combination carrying amount without restatement to fair value;
- (b) Retained earnings and other equity reserves of the Group as at 1 January 2018 are those of the Company and MTS Fibromat (M) Sdn. Bhd.;
- (c) Share capital as at 1 January 2018 reflects the share capital of the Company and MTS Fibromat (M) Sdn. Bhd.;
- (d) Comparative financial information are those of the Company and MTS Fibromat (M) Sdn. Bhd.; and
- (e) The statement of financial position as at 31 December 2019 represents the financial position of the Group after reflecting the effect of the acquisition during the financial year.

4. OPERATING SEGMENTS

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

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

The operating segments are as summarised as follows:

- (a) Design and installation services
Includes design and build services, which are engineered to suit a broad spectrum of erosion control and protection application.
- (b) Trading
Includes trading and distribution of Erosion Control and Geosynthetic products.
- (c) Manufacturing
Includes manufacturing and sales of Erosion Control and Geosynthetic products.

4. OPERATING SEGMENTS (continued)

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

Segment assets and liabilities

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

(a) Operating segments

2019	Design and installation services RM	Trading RM	Manufacturing RM	Total RM
Segment revenue				
Revenue from external customers	10,363,674	21,218,027	10,099,339	41,681,040
Segment results	880,331	4,252,139	113,815	5,246,285
Interest income				4,865
Finance costs				(1,185,971)
Other expenses				(7,001,275)
Loss before tax				(2,936,096)
Tax expense				(136,860)
Loss for the financial year				(3,072,956)
Other segment information				
Depreciation of property, plant and equipment				
- allocated	-	-	790,836	790,836
- unallocated				330,602
				1,121,438
Depreciation of right-of-use assets				
- allocated	-	-	225,088	225,088
- unallocated				291,947
				517,035

4. OPERATING SEGMENTS (continued)

(a) Operating segments (continued)

2018	Design and installation services RM	Trading RM	Manufacturing RM	Total RM
Segment revenue				
Revenue from external customers	31,792,238	22,595,974	6,889,629	61,277,841
Segment results	1,682,361	6,643,932	2,018,555	10,344,848
Interest income				10,348
Finance costs				(1,292,297)
Other expenses				(4,581,641)
Profit before tax				4,481,258
Tax expense				(1,614,048)
Profit for the financial year				2,867,210
Other segment information				
Depreciation of property, plant and equipment				
- allocated	-	-	1,030,233	1,030,233
- unallocated				519,183
				1,549,416

(b) Geographical segments

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

(c) Major customer

In previous financial year, revenue from one major customer amounted to RM11,701,937 represents 19.10% of the total revenue of the Group.

The following is major customer with revenue equal or more than 10% of the total revenue of the Group:

	2019 RM	2018 RM
Company A	-	11,701,937

5. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 (Note 35.1) RM	Additions RM	Transfer to non-current assets held for sale (Note 13) RM	Reclassification from right-of-use assets (Note 6) RM	Depreciation charges for the financial year RM	Balance as at 31.12.2019 RM
Carrying amount							
Freehold land	754,404	-	-	(754,404)	-	-	-
Long term leasehold land	1,945,251	(1,945,251)	-	-	-	-	-
Buildings	15,062,761	-	-	(1,952,711)	-	(320,436)	12,789,614
Motor vehicles	746,099	(701,630)	109,000	-	55,221	(24,643)	184,047
Plant and machinery	4,305,174	(1,579,290)	52,076	-	714,851	(499,090)	2,993,721
Furniture and fittings, computer equipment and office equipment	460,342	-	23,823	-	-	(155,223)	328,942
Equipment and tools	97,249	-	-	-	-	(26,922)	70,327
Moulds and dies	66,469	-	2,400	-	-	(15,408)	53,461
Renovation	413,440	-	40,300	(102,960)	-	(52,496)	298,284
Laboratory equipment	196,394	-	8,617	-	-	(27,220)	177,791
	24,047,583	(4,226,171)	236,216	(2,810,075)	770,072	(1,121,438)	16,896,187

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	At 31.12.2019		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	-	-	-
Long term leasehold land	-	-	-
Buildings	13,580,982	(791,368)	12,789,614
Motor vehicles	1,205,394	(1,021,347)	184,047
Plant and machinery	7,099,404	(4,105,683)	2,993,721
Furniture and fittings, computer equipment and office equipment	902,436	(573,494)	328,942
Equipment and tools	270,359	(200,032)	70,327
Moulds and dies	155,880	(102,419)	53,461
Renovation	399,836	(101,552)	298,284
Laboratory equipment	271,748	(93,957)	177,791
	<u>23,886,039</u>	<u>(6,989,852)</u>	<u>16,896,187</u>

Group	Balance as at 1.1.2018 RM	Additions RM	Impairment losses RM	Depreciation charges for the financial year RM	Balance as at 31.12.2018 RM
Carrying amount					
Freehold land	754,404	-	-	-	754,404
Long term leasehold land	1,966,155	-	-	(20,904)	1,945,251
Buildings	13,065,242	2,583,354	(270,000)	(315,835)	15,062,761
Motor vehicles	1,045,550	50,000	-	(349,451)	746,099
Plant and machinery	4,144,483	846,486	-	(685,795)	4,305,174
Furniture and fittings, computer equipment and office equipment	515,134	22,529	-	(77,321)	460,342
Equipment and tools	124,285	-	-	(27,036)	97,249
Moulds and dies	81,817	-	-	(15,348)	66,469
Renovation	79,183	367,027	-	(32,770)	413,440
Laboratory equipment	105,256	116,094	-	(24,956)	196,394
	<u>21,881,509</u>	<u>3,985,490</u>	<u>(270,000)</u>	<u>(1,549,416)</u>	<u>24,047,583</u>

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	At 31.12.2018		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	754,404	-	754,404
Long term leasehold land	2,069,523	(124,272)	1,945,251
Buildings	16,021,753	(958,992)	15,062,761
Motor vehicles	2,370,366	(1,624,267)	746,099
Plant and machinery	7,946,648	(3,641,474)	4,305,174
Furniture and fittings, computer equipment and office equipment	878,613	(418,271)	460,342
Equipment and tools	270,359	(173,110)	97,249
Moulds and dies	153,480	(87,011)	66,469
Renovation	541,247	(127,807)	413,440
Laboratory equipment	263,131	(66,737)	196,394
	<u>31,269,524</u>	<u>(7,221,941)</u>	<u>24,047,583</u>

- (a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

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

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

Freehold land has unlimited useful life and is not depreciated.

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

	Group	
	2019 RM	2018 RM
Purchase of property, plant and equipment	236,216	3,985,490
Financed by hire-purchase arrangements	-	(238,800)
Cash payments on purchase of property, plant and equipment	<u>236,216</u>	<u>3,746,690</u>

- (c) In the previous financial year, included in property, plant and equipment of the Group were assets acquired under hire purchase arrangements with a carrying amount of RM2,344,720.
- (d) At the end of the reporting period, leasehold land and buildings with total carrying amount of RM12,789,614 (2018: RM17,008,012) have been pledged to the licensed banks for credit facilities granted to the Company as disclosed in Note 18 and Note 19 to the financial statements.

6. LEASES

The Group as lessee

Right-of-use assets

	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 (Note 35.1) RM	Additions RM	Disposal RM	Reclassification to property, plant and equipment (Note 5) RM	Depreciation charges for the financial year RM	Balance as at 31.12.2019 RM
Carrying amount							
Long term leasehold land	-	1,945,251	-	-	-	(20,904)	1,924,347
Motor vehicles	-	701,630	346,087	(65,000)	(55,221)	(291,947)	635,549
Plant and machinery	-	1,579,290	57,000	-	(714,851)	(204,184)	717,255
	-	4,226,171	403,087	(65,000)	(770,072)	(517,035)	3,277,151

Lease liabilities

Carrying amount

	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 (Note 35.1) RM	Additions RM	Lease payments RM	Interest expense RM	Balance as at 31.12.2019 RM
Motor vehicles	-	650,632	311,000	(373,146)	37,977	626,463
Plant and machinery	-	672,822	51,300	(301,328)	35,213	458,007
	-	1,323,454	362,300	(674,474)	73,190	1,084,470

6. LEASES (continued)

The Group as lessee (continued)

Lease liabilities (continued)

Represented by:	2019
	RM
Current liabilities	430,323
Non-current liabilities	654,147
	<u>1,084,470</u>
Lease liabilities owing to financial institutions	1,084,470
Lease liabilities owing to non-financial institutions	-
	<u>1,084,470</u>

- (a) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The lease terms of right-of-use assets are as follows:

Long term leasehold land	99 years
Plant and machinery	3 to 5 years
Motor vehicles	5 to 7 years

- (b) Included in right-of-use assets of the Group, leasehold land with a carrying amount of RM1,924,347 have been pledged to licensed banks for credit facilities granted to the Group as disclosed in Note 18 and Note 19 to the financial statements.
- (c) The Group has certain low value leases of office premises of RM20,000 and below. The Group applies the “lease of low-value assets” exemptions for these leases.
- (d) The following are the amounts recognised in profit or loss:

	Group
	2019
	RM
Depreciation charge of right-of-use assets (included in cost of sales)	225,088
Depreciation charge of right-of-use assets (included in administrative expenses)	291,947
Interest expense on lease liabilities (included in finance costs)	73,190
Expense relating to leases of low-value assets (included in administration expenses)	21,000
	<u>611,225</u>

6. LEASES (continued)

The Group as lessee (continued)

- (e) At the end of the financial year, the Group had total cash outflow for leases of RM674,474.
- (f) The following table sets out the carrying amounts, the weighted average incremental borrowing rates and the remaining maturities of the lease liabilities of the Group that are exposed to interest rate risk:

Group	Weighted average incremental borrowing rate per annum %	Within	1 - 2	2 - 5	Total
		1 year RM	years RM	years RM	
31 December 2019					
Lease liabilities					
Fixed rate	6.00%	430,323	330,707	323,440	1,084,470

- (g) The table below summarises the maturity profile of the lease liabilities of the Group at the end of the reporting period based on contractual undiscounted repayment obligations as follows:

Group	On demand or	One to five	Total
	within one year year RM	years RM	
31 December 2019			
Lease liabilities	477,498	691,469	1,168,967

7. INVESTMENT IN A SUBSIDIARY

	Company	
	2019 RM	2018 RM
Unquoted shares, at cost	38,435,997	-

- (a) Investment in a subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost less impairment loss, if any.

7. INVESTMENT IN A SUBSIDIARY (continued)

(b) The details of the subsidiary are as follows (continued):

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2019 %	2018 %	
MTS Fibromat (M) Sdn. Bhd.	Malaysia	100*	100	Design and installation services for erosion control solutions, manufacturing of in-house erosion control products and trading of erosion control products

* On 4 April 2019, the Company has entered into a Share Sale Agreement to acquire entire equity interest in MTS Fibromat (M) Sdn. Bhd., for a total consideration of RM38,435,997, which was satisfied via the issuance of 194,399,985 new ordinary shares in the capital of the Company at an issue price of RM0.20 per share. Consequently, MTS Fibromat (M) Sdn. Bhd. became a wholly owned subsidiary of the Company on 4 April 2019.

(c) Business combination under common control that was undertaken during the financial year is disclosed in Note 3 to the financial statements.

8. INVESTMENT PROPERTY

	Group Investment property under construction	
	2019 RM	2018 RM
At cost		
Property under construction	<u>1,027,471</u>	<u>1,010,059</u>

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

9. INVENTORIES

	Group	
	2019 RM	2018 RM
At cost		
Raw materials	3,872,378	1,863,195
Work in progress	441,550	452,226
Finished goods	8,282,685	7,955,876
	12,596,613	10,271,297

9. INVENTORIES (continued)

	Group	
	2019 RM	2018 RM
At net realisable value		
Raw materials	8,685	16,400
Work-in-progress	-	3,458
Finished goods	483,998	403,847
	<u>492,683</u>	<u>423,705</u>
	<u>13,089,296</u>	<u>10,695,002</u>

- (a) Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out basis.
- (b) During the financial year, inventories of the Group recognised as cost of sales amounted to RM22,958,662 (2018: RM18,920,305).
- (c) Reversal of inventories written down during the financial year amounted to RM110,832 (2018: RM369,614) and are included in cost of sales.

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade receivables				
Third parties	16,388,925	27,681,400	-	-
Less: Impairment losses	(5,373,088)	(5,955,254)	-	-
	11,015,837	21,726,146	-	-
Other receivables				
Third parties	736,811	397,356	-	-
Amount owing by a subsidiary	-	-	3,444,816	-
Deposits	122,631	120,721	-	-
	859,442	518,077	3,444,816	-
Less: Impairment losses	-	-	(68,896)	-
	<u>859,442</u>	<u>518,077</u>	<u>3,375,920</u>	<u>-</u>
Total receivables	11,875,279	22,244,223	3,375,920	-
Prepayments	893,940	455,596	-	-
	<u>12,769,219</u>	<u>22,699,819</u>	<u>3,375,920</u>	<u>-</u>

10. TRADE AND OTHER RECEIVABLES (continued)

- (a) Total receivables are classified as financial assets measured at amortised cost.
- (b) Trade receivables are non-interest bearing and the normal credit terms of trade receivables granted by the Group ranged from 30 to 150 days (2018: 30 to 150 days). They are recognised at their original invoice amounts, which represent their fair values on initial recognition.
- (c) Amount owing by a subsidiary represents advances and payments made on behalf which are unsecured, interest-free and payable within next twelve (12) months in cash and cash equivalents.
- (d) The foreign currency exposure of trade and other receivables, excluding prepayments is as follows:

	Group	
	2019	2018
	RM	RM
United States Dollar	38,861	115,254
Singapore Dollar	183,518	68,844
Euro	<u>16,139</u>	<u>866,981</u>

- (e) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses (“ECL”).

The Group uses an allowance matrix to measure the expected credit loss of trade receivables from individual customers. Expected loss rates are calculated using the roll rate method separately for exposures in different segments based on the common credit risk characteristics, namely receivables ageing status.

The expected loss rates are based on the Group’s historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group’s customers. The Group has identified the inflation rate as the key macroeconomic factor.

For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward looking information.

10. TRADE AND OTHER RECEIVABLES (continued)

(e) (continued)

Lifetime expected loss provision for trade receivables as at 31 December 2019 is as follows:

Group	Expected loss rate	Gross carrying amount RM	Impairment RM
2019			
Current	4.2%	7,109,630	301,988
1 to 30 days past due	5.5%	963,038	52,726
31 to 60 days past due	8.1%	576,546	46,914
61 to 90 days past due	11.9%	341,709	40,796
91 to 120 days past due	16.6%	704,776	117,249
121 to 150 days past due	20.9%	57,269	11,996
More than 151 days past due	72.4%	6,635,957	4,801,419
Total		16,388,925	5,373,088

Group	Expected loss rate	Gross carrying amount RM	Impairment RM
2018			
Current	4.8%	15,642,352	745,481
1 to 30 days past due	6.7%	2,515,549	168,223
31 to 60 days past due	9.5%	1,048,967	99,481
61 to 90 days past due	13.0%	410,192	53,452
91 to 120 days past due	16.5%	482,391	79,487
121 to 150 days past due	20.3%	245,236	49,735
More than 151 days past due	64.9%	7,336,713	4,759,395
Total		27,681,400	5,955,254

(f) Movements in the impairment allowance for trade receivables are as follows:

Group	Lifetime ECL allowance RM	Credit impaired RM	Total allowance RM
2019			
At 1 January 2019	2,441,693	3,513,561	5,955,254
Charge for the financial year	-	2,217,095	2,217,095
Written off	-	(1,126,510)	(1,126,510)
Reversal for the financial year	(1,206,028)	(466,723)	(1,672,751)
At 31 December 2019	1,235,665	4,137,423	5,373,088

10. TRADE AND OTHER RECEIVABLES (continued)

(f) Movements in the impairment allowance for trade receivables are as follows (continued):

Group	Lifetime ECL allowance RM	Credit impaired RM	Total allowance RM
2018			
At 1 January 2018	2,298,866	5,185,000	7,483,866
Charge for the financial year	142,827	1,235,508	1,378,335
Reversal for the financial year	-	(2,906,947)	(2,906,947)
At 31 December 2018	<u>2,441,693</u>	<u>3,513,561</u>	<u>5,955,254</u>

Credit impaired refers to individually determined debtors who are in significant financial difficulties and have defaulted on payments to be impaired as at the end of the reporting period.

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

The probability of non-payment by the other receivables and a subsidiary is adjusted by forward looking information as stated in Note 10(e) and multiplied by the amount of the expected loss arising from default to determine the twelve month or lifetime expected credit loss for the other receivables and amount owing by a subsidiary.

The Group defined significant increase in credit risk based on operating performance of the receivables, changes to contractual terms, payment trends and past due information.

It requires management to exercise significant judgement in determining the probability of default by the other receivables and a subsidiary, appropriate forward looking information and significant increase in credit risk.

(h) Movement in the impairment allowance for amount owing by a subsidiary is as follows:

Company	Lifetime ECL allowance RM
2019	
At 1 January 2019	-
Charge for the financial year	<u>69,896</u>
At 31 December 2019	<u>69,896</u>

10. TRADE AND OTHER RECEIVABLES (continued)

- (i) No expected credit loss is recognised arising from other receivables of the Group as it is negligible.
- (j) At the end of each reporting period, the Group has no significant concentration of credit risk except for amounts of RM3,590,478 (2018: RM4,860,826) owing by two (2) major customers (2018: one (1)), constituting 21.91% (2018: 17.56%) of total receivables of the Group. The Group does not anticipate the carrying amounts recorded at the end of each reporting period to be significantly different from the values that would eventually be received.

11. CONTRACT ASSETS/(LIABILITIES)

	Group	
	2019	2018
	RM	RM
Aggregate contract costs incurred to date	23,643,783	18,810,525
Add: Attributable profits	<u>7,750,374</u>	<u>5,763,361</u>
	31,394,157	24,573,886
Less: Progress billings	<u>(32,088,229)</u>	<u>(23,386,276)</u>
	<u>(694,072)</u>	<u>1,187,610</u>
Represented by:		
Contract assets	723,248	2,161,813
Contract liabilities	<u>(1,417,320)</u>	<u>(974,203)</u>
	<u>(694,072)</u>	<u>1,187,610</u>

Contract assets and contract liabilities represent the timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect physical completion of the contracts.

- (a) Contract assets
- (i) Contract assets are transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the Group issues billings to the customers.
- (ii) Impairment for contract assets that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses ("ECL") as disclosed in Note 10(e) to the financial statements.
- (iii) No expected credit loss is recognised arising from contract assets as it is negligible.

11. CONTRACT ASSETS/(LIABILITIES) (continued)

(b) Contract liabilities

- (i) Contract liabilities arose from design and installation service contracts which spread over the year end or partial billings but yet to be recognised as revenue due to unsatisfied (or partially unsatisfied) performance obligations at the end of the reporting period.
- (ii) Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, are as follows:

Group	2019 RM	2020 RM
31 December 2019	-	1,417,320
31 December 2018	974,203	-

12. CASH AND BANK BALANCES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	2,640,413	1,191,367	734,323	3
Deposits with licensed banks	1,106,777	1,106,777	-	-
As reported in statements of financial position	3,747,190	2,298,144	734,323	3
Bank overdraft (Note 16)	(1,179,032)	(1,576,547)	-	-
Deposits pledged to licensed banks	(1,106,777)	(1,106,777)	-	-
As reported in statements of cash flows	1,461,381	(385,180)	734,323	3

- (a) Cash and bank balances are classified as financial assets measured at amortised cost.
- (b) Deposits with licensed banks of the Group with carrying amount of RM1,106,777 (2018: RM1,106,777) are subject to fixed weighted average interest rate of 3.03% (2018: 3.03%) and have a maturity period of 365 days (2018: 365 days).

Sensitivity analysis for fixed rate balances as at the end of the reporting period is not presented as fixed rate instruments are not affected by change in interest rates.

- (c) The deposits with licensed banks have been pledged as security for term loan granted to the Group as disclosed in Note 18 to the financial statements.

12. CASH AND BANK BALANCES (continued)

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

	Group	
	2019	2018
	RM	RM
United States Dollar	2,849	63,887
Singapore Dollar	167,568	149,095
Euro	<u>2,756</u>	<u>47,981</u>

(e) No expected credit loss is recognised arising from the cash and bank balances because the probability of default by these financial institutions is negligible.

13. ASSET CLASSIFIED AS HELD FOR SALE

	Group 2019 RM
At cost	
At 1 January 2019	-
Transferred from property, plant and equipment (Note 5)	<u>3,376,886</u>
At 31 December 2019	<u>3,376,886</u>
Accumulated depreciation	
At 1 January 2019	-
Transferred from property, plant and equipment (Note 5)	<u>566,811</u>
At 31 December 2019	<u>566,811</u>
Carrying amount	
At 31 December 2019 (Note 5)	<u><u>2,810,075</u></u>

On 14 November 2019, the Group entered into a Sales and Purchase Agreement with third parties for the disposal of a piece of freehold industrial land held under individual title GRN 332739 Lot 11528 Seksyen 20 Bandar Serendah Daerah Ulu Selangor Negeri Selangor, comprising an area measuring approximately 5,709 square metre together with one unit of a single storey factory cum double storey office building erected thereon, bearing postal address as No. 2, Jalan Kenanga 2, Seksyen BB11, 48300 Bandar Bukit Beruntung, Selangor for a total consideration of RM7,000,000.

The disposal has yet to be completed as at the end of financial year.

Included in assets classified as held for sale of the Group, freehold land and building with a carrying amount of RM2,810,075 have been pledged to a licensed bank for credit facilities granted to the Group as disclosed in Note 18 and Note 19 to the financial statements.

14. SHARE CAPITAL

	Group			
	2019		2018	
	Number of shares	RM	Number of shares	RM
Issued and fully paid				
At 1 January	6,500,003	6,500,003	6,500,003	6,500,003
Effects of business combination under common control:				
- Elimination of issued and paid up ordinary share capital of MTS Fibromat (M) Sdn. Bhd.	(6,500,000)	(6,500,000)	-	-
- Acquisition of a subsidiary in business combination under common control	194,399,985	38,435,997	-	-
	187,899,985	31,935,997	-	-
Issuance of ordinary shares	<u>21,600,012</u>	<u>6,264,000</u>	<u>-</u>	<u>-</u>
At 31 December	<u><u>216,000,000</u></u>	<u><u>44,700,000</u></u>	<u><u>6,500,003</u></u>	<u><u>6,500,003</u></u>

	Company			
	2019		2018	
	Number of shares	RM	Number of shares	RM
Issued and fully paid				
At 1 January	3	3	3	3
Ordinary shares issued pursuant to acquisition of a subsidiary	194,399,985	38,435,997	-	-
Issuance of ordinary shares	<u>21,600,012</u>	<u>6,264,000</u>	<u>-</u>	<u>-</u>
At 31 December	<u><u>216,000,000</u></u>	<u><u>44,700,000</u></u>	<u><u>3</u></u>	<u><u>3</u></u>

- (a) As at 1 January 2018, the number of ordinary shares of the Group is on combined basis.
- (b) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 3 to 216,000,000 by way of issuance of 215,999,997 new ordinary shares pursuant to the following:
- (i) subdivision of every One (1) existing ordinary share capital into Five (5) ordinary shares;
 - (ii) 194,399,985 shares at an issue price of RM0.20 each pursuant to the acquisition of a subsidiary.
 - (iii) 21,600,000 shares at an issue price of RM0.29 each for cash pursuant to its Initial Public Offering exercise.
- (c) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

15. MERGER RESERVE

Merger reserve arose as a result of the difference between consideration paid over the share capital of MTS Fibromat (M) Sdn. Bhd. pursuant to business combination under common control.

16. BORROWINGS

		Group	
	Note	2019 RM	2018 RM
Non-current liabilities			
Hire purchase creditors	17	-	810,564
Term loans	18	5,230,849	7,219,328
		<u>5,230,849</u>	<u>8,029,892</u>
Current liabilities			
Hire purchase creditors	17	-	512,890
Term loans	18	3,263,454	3,387,759
Banker's acceptance	19	1,073,505	3,745,968
Bank overdraft	12	1,179,032	1,576,547
		<u>5,515,991</u>	<u>9,223,164</u>
Total borrowings			
Hire purchase creditors	17	-	1,323,454
Term loans	18	8,494,303	10,607,087
Banker's acceptance	19	1,073,505	3,745,968
Bank overdraft	12	1,179,032	1,576,547
		<u>10,746,840</u>	<u>17,253,056</u>

(a) Borrowings are classified as financial liabilities measured at amortised cost.

(b) Movements of borrowings upon adoption of MFRS 16 are as follows:

Group	Note	Hire purchase creditors RM
At 1 January 2019, as previously reported		1,323,454
Effects of adoption of MFRS 16	35.1	<u>(1,323,454)</u>
At 1 January 2019, as restated		<u>-</u>

16. BORROWINGS (continued)

- (c) The following table sets out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the borrowings of the Group that are exposed to interest rate risk:

Group	Weighted average effective interest rate per annum %	Within 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM	Total RM
31 December 2019						
Floating rates						
Term loans	7.36%	3,263,454	1,530,302	2,149,132	1,551,415	8,494,303
Banker's acceptance	5.10%	1,073,505	-	-	-	1,073,505
Bank overdraft	7.20%	1,179,032	-	-	-	1,179,032
31 December 2018						
Fixed rate						
Hire purchase creditors	6.07%	512,890	381,058	429,506	-	1,323,454
Floating rate						
Term loans	6.62%	3,387,759	3,140,986	2,553,418	1,524,924	10,607,087
Banker's acceptance	4.89%	3,745,968	-	-	-	3,745,968
Bank overdraft	7.45%	1,576,547	-	-	-	1,576,547

- (d) The following table demonstrates the sensitivity analysis for floating rate borrowings as at the end of the reporting period to a change in 100 basis points against interest rates, with all other variables held constant:

Group	2019 RM	2018 RM
(Loss)/Profit after tax		
- 100 basis points higher	(81,676)	(121,065)
- 100 basis points lower	81,676	121,065

Sensitivity analysis for fixed rate borrowings as at the end of the reporting period is not presented as fixed rate borrowings are not affected by change in interest rates.

- (e) Fair value of the borrowings of the Group is categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

16. BORROWINGS (continued)

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

Group	2019		2018	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Hire purchase creditors	-	-	1,323,454	1,254,144

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

- (g) The following table summarises the maturity profile of the borrowings of the Group at the end of each reporting period based on contractual undiscounted repayment obligations:

Group	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
	At 31 December 2019	7,388,186	4,605,403	1,922,856
At 31 December 2018	10,956,271	7,703,661	1,942,190	20,602,122

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

Group	Hire purchase RM	Term loans RM	Banker's acceptance RM
At 1 January 2019, as previously reported	1,323,454	10,607,087	3,745,968
Effects of adoption of MFRS 16	(1,323,454)	-	-
At 1 January 2019, as restated	-	10,607,087	3,745,968
Cash flows	-	(2,112,784)	(2,672,463)
At 31 December 2019	-	8,494,303	1,073,505
At 1 January 2018	1,969,866	12,247,909	577,000
Cash flows	(885,212)	(1,640,822)	3,168,968
Non-cash flows:			
- purchase of property, plant and equipment	238,800	-	-
At 31 December 2018	1,323,454	10,607,087	3,745,968

17. HIRE PURCHASE CREDITORS

	Group	
	2019 RM	2018 RM
Minimum hire purchase payments:		
- not later than one (1) year	-	574,879
- later than one (1) year but not later than five (5) years	-	868,374
	<hr/>	<hr/>
Total minimum hire purchase payments	-	1,443,253
Less: Future interest charges	-	(119,799)
	<hr/>	<hr/>
Present value of hire purchase payments	-	1,323,454
	<hr/> <hr/>	<hr/> <hr/>
Repayable as follows:		
Current liabilities:		
- not later than one (1) year	-	512,890
Non-current liabilities:		
- later than one (1) year but not later than five (5) years	-	810,564
	<hr/>	<hr/>
	-	1,323,454
	<hr/> <hr/>	<hr/> <hr/>

18. TERM LOANS

	Group	
	2019 RM	2018 RM
Term loan I	1,166,650	2,566,654
Term loan II	536,611	1,206,204
Term loan III	1,185,749	1,795,212
Term loan IV	1,994,204	2,541,884
Term loan V	814,619	922,095
Term loan VI	1,524,426	1,575,038
Term loan VII	1,272,044	-
	<hr/>	<hr/>
	8,494,303	10,607,087
	<hr/> <hr/>	<hr/> <hr/>

- (a) Term loan I was granted by a licensed bank to the Group to finance the construction of two (2) units of factories located at Mukim Rasa, District of Hulu Selangor, Selangor.

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

- (i) assignment over leasehold land and buildings of the Group as disclosed in Note 5 and Note 6 to the financial statements; and
- (ii) deposit with a licensed bank as disclosed in Note 12 to the financial statements.

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

18. TERM LOANS (continued)

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

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

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

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

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

Term loan IV of the Group is secured by an assignment over freehold land and building of the Group disclosed in Note 13 to the financial statements.

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

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

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

- (i) corporate guarantee by Credit Guarantee Corporation Malaysia Berhad;
 - (ii) assignment of a Single Premium Reducing Term Plan issued by Sun Life Malaysia Assurance Berhad under the name of Ng Chun Hou; and
 - (iii) jointly and severally guaranteed by certain Directors of the Group.
- (f) Term loan VI was granted by a licensed bank to the Group to part finance the acquisition of office building located at Mukim Batu, District of Gombak, Selangor and for working capital purpose.

Term loan VI of the Group is secured by an assignment over building of the Group disclosed in Note 5 to the financial statements.

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

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

Term loan VII of the Group is jointly and severally guaranteed by certain Directors of the Group.

19. BANKER'S ACCEPTANCE

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

Banker's acceptance of the Group is secured by assignment over leasehold land and buildings of the Group as disclosed in Note 5, Note 6 and Note 13 to the financial statements.

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

20. DEFERRED TAX LIABILITIES

- (a) The amount of the deferred tax income or expense recognised in the statement of profit or loss and other comprehensive income during the financial year are as follows:

	Group	
	2019 RM	2018 RM
At 1 January	249,881	(282,059)
Recognised in profit or loss (Note 26)	<u>(189,425)</u>	<u>531,940</u>
At 31 December	<u>60,456</u>	<u>249,881</u>
Presented after appropriate offsetting:		
Deferred tax assets	(1,017,300)	(843,255)
Deferred tax liabilities	<u>1,077,756</u>	<u>1,093,136</u>
	<u>60,456</u>	<u>249,881</u>

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

Deferred tax assets	Group Others RM
At 1 January 2019	(843,255)
Recognised in profit or loss	<u>(174,045)</u>
At 31 December 2019, prior to offsetting	(1,017,300)
Offsetting	<u>1,017,300</u>
At 31 December 2019	<u>-</u>
At 1 January 2018	(1,244,400)
Recognised in profit or loss	<u>401,145</u>
At 31 December 2018, prior to offsetting	(843,255)
Offsetting	<u>843,255</u>
At 31 December 2018	<u>-</u>

20. DEFERRED TAX LIABILITIES (continued)

Deferred tax liabilities	Group		Total RM
	Property, plant and equipment RM	Others RM	
At 1 January 2019	1,076,918	16,218	1,093,136
Recognised in profit or loss	<u>(9,438)</u>	<u>(5,942)</u>	<u>(15,380)</u>
At 31 December 2019, prior to offsetting	<u>1,067,480</u>	<u>10,276</u>	1,077,756
Offsetting			<u>(1,017,300)</u>
At 31 December 2019			<u>60,456</u>
At 1 January 2018	953,841	8,500	962,341
Recognised in profit or loss	<u>123,077</u>	<u>7,718</u>	<u>130,795</u>
At 31 December 2018, prior to offsetting	<u>1,076,918</u>	<u>16,218</u>	1,093,136
Offsetting			<u>(843,255)</u>
At 31 December 2018			<u>249,881</u>

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade payables				
Third parties	7,127,813	11,005,477	-	-
Other payables				
Third parties	1,115,766	2,203,323	-	-
Accruals	281,931	511,483	92,750	5,000
Amounts owing to shareholders	-	1,000,000	-	-
Amount owing to a subsidiary	-	-	-	1,112,711
	<u>1,397,697</u>	<u>3,714,806</u>	<u>92,750</u>	<u>1,117,711</u>
	<u>8,525,510</u>	<u>14,720,283</u>	<u>92,750</u>	<u>1,117,711</u>

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranged from 30 to 90 days (2018: 30 to 90 days).

21. TRADE AND OTHER PAYABLES (continued)

(c) In the previous financial year, amounts owing to shareholders represented dividend payable of RM1,000,000. This dividend was paid on 10 January 2019 and 17 January 2019.

(e) The foreign currency exposure profile of trade and other payables is as follows.

	Group	
	2019	2018
	RM	RM
United States Dollar	3,113,520	3,882,984
Euro	<u>1,013,643</u>	<u>150,639</u>

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

22. REVENUE

	Group	
	2019	2018
	RM	RM
Revenue from contracts with customers	<u>41,681,040</u>	<u>61,277,841</u>

Disaggregation of revenue from contracts with customers

	Group	
	2019	2018
	RM	RM
Major product and service line		
Sales of products	31,317,366	29,485,603
Services rendered	<u>10,363,674</u>	<u>31,792,238</u>
	<u>41,681,040</u>	<u>61,227,841</u>

Timing of revenue recognition

Transferred over time	10,363,674	31,792,238
Transferred at a point in time	<u>31,317,366</u>	<u>29,485,603</u>
	<u>41,681,040</u>	<u>61,277,841</u>

(a) Sales of goods

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

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

22. REVENUE (continued)

(b) Services rendered

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

If control of the asset transfers over time, revenue is recognised over the period of the contract using the input method by reference to the cost incurred relative to the total expected cost for satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Significant judgement is required in determining the satisfaction of performance obligations as stated in the contracts with customers, transaction price allocation and costs in applying the input method to recognise revenue over time.

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

23. COST OF SALES

	Group	
	2019 RM	2018 RM
Cost of goods sold	26,951,412	20,823,116
Service costs	9,483,343	30,109,877
	<u>36,434,755</u>	<u>50,932,993</u>

24. FINANCE COSTS

	Group	
	2019 RM	2018 RM
Interest expense on:		
- hire purchase creditors	-	120,011
- term loans	853,110	866,875
- banker's acceptance	141,685	153,580
- bank overdraft	73,355	79,872
- lease liabilities	73,190	-
	<u>1,141,340</u>	<u>1,220,338</u>
Bank charges	44,631	71,959
	<u>1,185,971</u>	<u>1,292,297</u>

25. (LOSS)/PROFIT BEFORE TAX

Other than those disclosed elsewhere in the financial statements, (loss)/profit before tax is arrived at:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
After charging:				
Auditors' remuneration	95,000	70,000	5,000	5,000
Directors' fees	78,750	-	78,750	-
Directors' emoluments other than fees	840,562	676,248	-	-
Loss on disposal of right-of-use assets	10,000	-	-	-
Other receivables written off	-	500,153	-	-
And crediting:				
Bad debts recovered	-	5,134	-	-
Interest income from deposits with licensed banks	4,865	10,348	-	-
Unrealised gain on foreign exchange, net	42,816	67,571	-	-

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

(b) The estimated value of benefits-in-kind provided to the Directors of the Company during the financial year amounted to RM74,329 (2018 : RM37,900).

26. TAX EXPENSE

	Group	
	2019 RM	2018 RM
Current tax expense based on profit for the financial year	70,131	1,023,134
Under provision in prior years	256,154	58,974
	326,285	1,082,108
Deferred tax (Note 20)		
- Relating to origination and reversal of temporary differences	(145,209)	556,907
- Over provision in prior years	(44,216)	(24,967)
	(189,425)	531,940
	136,860	1,614,048

(a) Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated taxable profit for the fiscal year.

26. TAX EXPENSE (continued)

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
(Loss)/Profit before tax	<u>(2,936,096)</u>	<u>4,481,258</u>	<u>(1,128,799)</u>	<u>(372,755)</u>
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	(704,663)	1,075,502	(270,912)	(89,461)
Tax effects in respect of:				
- non-allowable expenses	629,585	741,466	270,912	89,461
- non-taxable income	<u>-</u>	<u>(236,927)</u>	<u>-</u>	<u>-</u>
	(75,078)	1,580,041	-	-
Under/(Over) provision in prior years				
- income tax	256,154	58,974	-	-
- deferred tax	<u>(44,216)</u>	<u>(24,967)</u>	<u>-</u>	<u>-</u>
	<u>136,860</u>	<u>1,614,048</u>	<u>-</u>	<u>-</u>

27. EMPLOYEE BENEFITS

	Group	
	2019 RM	2018 RM
Wages, salaries and bonuses	3,422,565	3,424,726
Contributions to defined contribution plan	354,259	377,052
Other benefits	<u>202,022</u>	<u>208,393</u>
	<u>3,978,846</u>	<u>4,010,171</u>

Included in the employee benefits of the Group are Executive Directors' remuneration as disclosed in Note 25 to the financial statements.

28. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per ordinary share for the financial year is calculated by dividing the (loss)/profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year after deducting the treasury shares.

28. (LOSS)/EARNINGS PER SHARE (continued)

(a) Basic (continued)

	Group	
	2019	2018
(Loss)/Profit attributable to equity holders of the parent (RM)	<u>(3,072,956)</u>	<u>2,867,210</u>
Weighted average number of ordinary shares outstanding*	<u>158,732,603</u>	<u>6,500,000</u>
Basic (loss)/earnings per share (sen)	<u>(1.94)</u>	<u>44.11</u>

* Number of ordinary shares for the financial year ended 31 December 2018 is the combined number of ordinary shares of the Company and MTS Fibromat (M) Sdn. Bhd.

(b) Diluted

Diluted (loss)/earnings per ordinary share equals basic (loss)/earnings per ordinary share as there is no potentially dilutive instruments in existence as at the end of each reporting period.

29. DIVIDENDS

	Group			
	2019		2018	
	Dividend per share Sen	Amount of dividend RM	Dividend per share Sen	Amount of dividend RM
First interim single tier dividend for the financial year ended 31 December 2018, paid on 27 November 2018, 28 November 2018, 6 December 2018, 13 December 2018, 17 December 2018, 19 December 2018, 10 January 2019 and 17 January 2019*	<u>-</u>	<u>-</u>	<u>61.54</u>	<u>4,000,000</u>

* Dividend payable of RM1,000,000 was paid on 10 January 2019 and 17 January 2019.

30. COMMITMENTS

Operating lease commitments

The Group as a lessee

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

30. COMMITMENTS (continued)

Operating lease commitments (continued)

The Group as a lessee (continued)

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

	Group	
	2019 RM	2018 RM
Not later than one (1) year	-	21,000
Later than one (1) year and not later than five (5) years	-	28,000
	<u>-</u>	<u>49,000</u>

31. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other entities.

Related parties of the Group include:

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

(b) Significant related party transactions

There was no transaction with related parties during the financial year.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Directors (whether executive or otherwise) of the Group and the Company.

31. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel (continued)

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

	Group	
	2019 RM	2018 RM
Short-term employee benefits	1,151,776	1,159,083
Contributions to defined contribution plan	148,498	164,059
	<u>1,300,274</u>	<u>1,323,142</u>

32. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

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

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2019 and 31 December 2018.

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

	Group	
	2019 RM	2018 RM
Borrowings (Note 16)	10,746,840	17,253,056
Lease liabilities owing to financial institutions (Note 6)	1,084,470	-
	<u>11,831,310</u>	<u>17,253,056</u>
Less: Cash and bank balances (Note 12)	(3,747,190)	(2,298,141)
Net debt	<u>8,084,120</u>	<u>14,954,915</u>
Total capital	34,143,255	30,952,208
Gearing ratio	<u>0.24</u>	<u>0.48</u>

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management

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

The Group is exposed mainly to foreign currency risk, interest rate risk, liquidity and cash flow risk and credit risk. Information on the management of the related exposures is detailed below:

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Group holds cash and bank balances denominated in foreign currencies for working capital purposes. At the reporting date, cash and bank balances in foreign currency balances amounted to RM173,173 (2018: RM260,963).

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

Sensitivity analysis for foreign currency risk

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

		Group	
Profit after tax		2019	2018
		RM	RM
USD/RM	- strengthen by 3%	(70,037)	(84,448)
	- weaken by 3%	70,037	84,448
SGD/RM	- strengthen by 3%	8,005	4,969
	- weaken by 3%	(8,005)	(4,969)
EUR/RM	- strengthen by 3%	(22,680)	17,427
	- weaken by 3%	<u>22,680</u>	<u>(17,427)</u>

(ii) Interest rate risk

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

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

The Group is exposed mainly to foreign currency risk, interest rate risk, liquidity and cash flow risk and credit risk. Information on the management of the related exposures is detailed below (continued):

(ii) Interest rate risk (continued)

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

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Note 12 and Note 16 to the financial statements.

(iii) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

The analysis of financial instruments by remaining contractual maturities has been disclosed in Note 16 and Note 21 to the financial statements.

(iv) Credit risk

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

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit. The credit period is generally for a period of 30 to 150 days (2018: 30 to 150 days). The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

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

The credit risk concentration profile has been disclosed in Note 10 to the financial statements.

33. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 14 November 2019, the Group entered into a Sales and Purchase Agreement with third parties for the disposal of a piece of freehold industrial land held under individual title GRN 332739 Lot 11528 Seksyen 20 Bandar Serendah Daerah Ulu Selangor Negeri Selangor, comprising an area measuring approximately 5,709 square metre together with one unit of a single storey factory cum double storey office building erected thereon, bearing postal address as No. 2, Jalan Kenanga 2, Seksyen BB11, 48300 Bandar Bukit Beruntung, Selangor for a total consideration of RM7,000,000.

The disposal has yet to be completed as at the end of financial year.

34. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

- (a) The Coronavirus disease 2019 (“COVID-19”) pandemic has interrupted the movement of people and goods throughout the world, and many levels of government are instituting restrictions on individuals and businesses, including Malaysia, where majority of the Group’s operations are located. In relation to this, the Government of Malaysia issued a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order (“MCO”) effective from 18 March 2020 to 31 March 2020 arising from COVID-19 pandemic. The MCO was subsequently extended until 12 May 2020, followed by a Conditional MCO until 9 June 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 *Events after the Reporting Period* and therefore, judgements and assumptions used in the preparation of the financial statements of the Group for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

Notwithstanding that, the Group anticipates that the effects of COVID-19 would be recognised in the financial statements for the financial year ending 31 December 2020. The effects of COVID-19 would potentially impact the judgements and assumptions used in the preparation of the financial statements for the financial year ending 31 December 2020, such as expected credit losses of financial assets, write down of inventories to net realisable values and impairment assessments of assets (property, plant and equipment, investment properties and investment in a subsidiary).

The Group is in the process of assessing the full financial impact of the COVID-19 pandemic to the Group, since the ongoing developments of the COVID-19 pandemic are still uncertain and cannot be reasonably predicted as at the date of the authorisation of the financial statements.

- (b) On 15 April 2020, the Directors declared a first interim tax exempt dividend of 1.40 sen per share for the financial year ending 31 December 2020, paid on 5 May 2020. The financial statements for the current financial year do not reflect this first interim dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

35. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

35.1 New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board (“MASB”) during the financial year:

Title	Effective Date
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 16 as described in the following sections.

MFRS 16 *Leases*

MFRS 16 supersedes MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the financial statements.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors would continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have a material impact for leases for which the Group is the lessor.

The Group applied MFRS 16 using the modified retrospective approach, for which the cumulative effect of initial application is recognised in retained earnings as at 1 January 2019. Accordingly, the comparative information presented is not restated.

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the Group as of 1 January 2019.

35. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

35.1 New MFRSs adopted during the financial year (continued)

MFRS 16 Leases (continued)

In order to compute the transition impact of MFRS 16, a significant data extraction exercise was undertaken by management to summarise all property and equipment lease data such that the respective inputs could be uploaded into management's model. The incremental borrowing rate method has been adopted where the implicit rate of interest in a lease is not readily determinable.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability respectively at the date of initial application. The measurement principles of MFRS 16 are only applied after that date.

In applying MFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- (a) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (b) Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019;
- (c) Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 and do not contain a purchase option as short-term leases;
- (d) Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- (e) Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On transition to MFRS 16, the Group recognised right of use assets and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

Group	Note	As at 31 December 2018 RM	Impact RM	As at 1 January 2019 RM
Property, plant and equipment		24,047,583	(4,226,171)	19,821,412
Right-of-use assets	(a)	-	4,226,171	4,226,171
Borrowings		17,253,056	(1,323,454)	15,929,602
Lease liabilities	(b)	-	1,323,454	1,323,454

- (a) The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied.

35. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

35.1 New MFRSs adopted during the financial year (continued)

MFRS 16 Leases (continued)

On transition to MFRS 16, the Group recognised right of use assets and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below (continued):

(b) Lease liabilities are measured as follows:

	Group RM
Operating lease commitments at 31 December 2018 as disclosed under MFRS 117	26,120
Recognition exemption for leases of low value assets	(26,120)
Finance lease liabilities recognised as at 31 December 2018	<u>1,323,454</u>
Lease liabilities recognised at 1 January 2019	<u><u>1,323,454</u></u>

35.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

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

Title	Effective Date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020
<i>MFRS 17 Insurance Contracts</i>	1 January 2021
<i>Amendments to MFRS 101 Classification of Liabilities as Current and Non-current</i>	1 January 2022
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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

36. IFRIC Agenda Decision - An assessment of the lease term (IFRS 16)

The IFRS Interpretations Committee (“IFRIC”) issued a final agenda decision on 26 November 2019 regarding “Lease term and useful life of leasehold improvements (IFRS 16 and IAS 16)”.

The submission to the IFRIC raised a question pertaining the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Group has implemented the requirements of this final agenda decision during the financial year ended 31 December 2019.