

TEX CYCLE TECHNOLOGY (M) BERHAD

(642619-P)



ANNUAL REPORT 2007

OUR ENVIRONMENT OUR FUTURE



THE COVER STORY

It is from the call of nature that a plant goes through a complete cycle, from a single tiny seed to a plant, bearing flowers and fruits, then withers and returns to the Earth to regenerate into a new plant once again. A plant can never survive without the existence of the soil which is imperative and essential for healthy growth. And in the process, it inhales Carbon Dioxide exhaled by humans and other living creatures and produces Oxygen for their survival.

***The Plant** symbolises a great deal of Tex Cycle and its significance. Tex Cycle goes through the complete cycle of absorbing all the waste that is possible with the intention of reducing, reusing, recovering and recycling through an integrated process, creating a cleaner environment, reducing air and water pollution, conserving land space and extending our natural resources. Just as The Plant gives life to its surroundings, so does Tex Cycle by sharing and extending its knowledge and revenues with all those who are acquainted with us in one way or another.*

***The Soil** depicts the Employees and Clients of Tex Cycle. Just as The Soil contains various minerals and particles, the Employees and Clients of Tex Cycle are also very special, unique and distinctive. Each one of them holds a very important role in the daily operations which creates a competitive edge. Without them, Tex Cycle will cease to exist.*

***The Hands** bearing The Soil and The Plant, portray an image of superiority and leadership. The Hands signify the Stakeholders of Tex Cycle. Carefully observed, they are of different colors representing the involvement of diverse cultures from which our Stakeholders come from. These are the individuals who provide all that is needed for Tex Cycle to take the next step to achieve greater heights. The Plant, The Soil and The Hands need each other to fulfill the cycle of nature. Just as one of these cannot survive without the other, so too Tex Cycle, the Employees, the Clients, and the Stakeholders need to cooperate and work in harmony to achieve success.*

*This is not merely a story as the Awards displayed at the bottom right of the Cover are true evidence of our efforts and commitment to what we preach. We do not inherit the Earth from our parents; rather we borrow it from our children. Therefore, it is only right for each individual in this world to feel responsible to do all that is, within their ability to protect the World that we live in. Tex Cycle is proud to be a major part of this solution to conserve our natural resources, reduce pollution and keep our Environment clean and healthy. We take pride in knowing we are making this happen and working towards giving back our children what we have taken, as it was. **Our Environment, Our Future.***

CONTENTS

Annual Report 2007

Annual Report and Financial Statements 31 December 2007	
Corporate Information	2-3
Profile of Directors	4-6
Chairman's Statement	7-9
Managing Directors Report	10-11
Financial Highlights	12-14
Statement on Corporate Governance	15-19
Audit Committee Report	20-22
Statement on Internal Control	23
Corporate Profile	24-34
Corporate Social Responsibility Report	35-77
2007 Milestone	78-80
Financial Statements	81-122
Statement of Director's Shareholdings	123
Analysis on Shareholdings	124-125
List of Properties	126-127
Notice of Annual General Meeting	128-130
Proxy Form	131

CORPORATE INFORMATION

Annual Report 2007

BOARD OF DIRECTORS

Ho Siew Choong
Executive Chairman

Periasamy A/L Sinakalai
Managing Director

Yusseri Bin Said
Executive Director

Ho Siew Cheong
Executive Director

Ho Siew Weng
Executive Director

General Dato' Seri Che Md Noor Bin Mat Arshad (Rtd)
Independent Non-Executive Director

Razali Bin Jantan
Independent Non-Executive Director

Ravindran Markandu
Independent Non-Executive Director

AUDITORS

Messrs Deloitte & Touche (AF 0834)
Chartered Accountants

COMPANY SECRETARIES

Ng Yim Kong (LS 0009297)
Wong Youn Kim (MAICSA 7018778)

PRINCIPAL BANKER

Public Bank Berhad (6463-H)

SPONSOR

HwangDBS Investment Bank Berhad (14389-U)
Suite 23A-01, 23A Floor
Menara Keck Seng
203 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel: 03-2143 7888
Fax: 03-2148 2989

CORPORATE INFORMATION (cont'd)

Annual Report 2007

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd. (378993-D)
Level 26, Menara Multi Purpose
Capital Square
8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel: 03- 2721 2222
Fax: 03- 2721 2530

REGISTERED OFFICE

Unit 07-02, Level 7
Menara Luxor
6B Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7804 5929
Fax: 03-7805 2559

CORPORATE OFFICE

8, Jalan TPK 2/3
Taman Perindustrian Kinrara
47100 Puchong
Selangor Darul Ehsan
Tel: 03-8076 3816/19/21/23
Fax: 03-8076 3817
Email: texcycle@po.jaring.my
Website: www.texcycle.com.my

STOCK EXCHANGE LISTING

MESDAQ Market of Bursa Malaysia Securities Berhad
Stock Name: TEXCYCL
Stock Code: 0089

PROFILE OF DIRECTORS

Annual Report 2007

HO SIEW CHOONG

Executive Chairman; 56 years of age; Malaysian

Ho Siew Choong was appointed to the Board of Tex Cycle Technology on 13 May 2005. He obtained a Diploma of Graphic Reproduction from London College of Printing, United Kingdom in 1974 and Post Award Studies (graphic reproduction) in 1975. Upon his return from the United Kingdom he joined Metro-Engravers Sdn. Bhd. and was involved in all areas of business management such as Human Resource, Finance, Marketing, Research and Development, Sales and Distribution. He was appointed as a Chairman in Metro-Engravers Sdn. Bhd. in 2000. He is the person responsible for advancing Metro-Engravers Sdn. Bhd. to a highly advanced field of pre-print electronic system. He was appointed as a Director in Tex Cycle in 1995 and has since been involved in various aspects of Tex Cycle's business which include Administration and Finance. He is also one of the three members of Tex Cycle's Research and Development ("R&D") team which is working to enhance and improve Tex Cycle's methods of recovery and recycling as well as to design and develop new methods of recovery and recycling, as well as new products and services.

PERIASAMY A/L SINAKALAI

Managing Director; 57 years of age; Malaysian

Periasamy A/L Sinakalai was appointed to the Board of Tex Cycle Technology on 13 May 2005. He obtained a Senior Cambridge Certificate in 1968. He started his career in The New Straits Times Group in 1969 at the young age of 18. After 10 years of service in The New Straits Times Group he left his position as a Production Planner to join Papyrus Printing, a subsidiary of the Star Publications for two (2) years. He then joined Malaysian British Assurance Berhad and was promoted to the position of a Production Manager in 1979. His tenure in Malaysian British Assurance Berhad lasted for about five (5) years before he left in 1985 to join Tex Cycle as a Marketing Manager. Periasamy A/L Sinakalai subsequently became a shareholder of Tex Cycle and was appointed the Executive Director of Tex Cycle on 21 April 1986. In addition to his role as a Marketing Manager, he has also been directly involved in Tex Cycle's Administration and is an integral part of Tex Cycle's Research and Development team. He was awarded the Pingat Masyarakat Cemerlang (PMC) by the Yang Dipertua Negeri Sembilan on 25 October 2001.

YUSSERI BIN SAID

Executive Director; 50 years of age; Malaysian

Yusseri Bin Said was appointed to the Board of Tex Cycle on Technology 13 May 2005. He graduated from Universiti Sains Malaysia with a Bachelor of Science (Honours) in 1984. He started his career in the banking industry as a Trainee Officer in Malayan Banking Berhad. In 1995, he obtained a Masters in Business Administration from Ohio University, USA upon completion of a twinning programme at the Universiti Teknologi MARA (UiTM). He subsequently left Malayan Banking Berhad and appointed to the Board of Directors of Metro Koats.

PROFILE OF DIRECTORS (cont'd)

Annual Report 2007

HO SIEW CHEONG

Executive Director; 46 years of age; Malaysian

Ho Siew Cheong was appointed to the Board of Tex Cycle Technology on 13 May 2005. He graduated with a Bachelor of Science from the University of Newcastle-upon-Tyne, United Kingdom in 1985. Upon graduation, he started his career as a Site Engineer in General Fire Fighting Sdn. Bhd. He was later appointed as a Sales Manager in Metro-Engravers Sdn. Bhd. in 1987. In 1995 he founded Metro Koats and has been a Director in Metro Koats ever since. He is also the Head of Research and Development in Metro Koats where he is responsible for the development and invention of all the products of Metro Koats, including camouflage paint and chemical formulae/solutions for the process of treatment of contaminated waste and effluent. Due to his expertise in developing chemical formulae/solution, he is also a member of Tex Cycle's Research and Development team, focusing on the development of Tex Cycle's waste treatment system.

HO SIEW WENG

Executive Director ; 51 years of age; Malaysian

Ho Siew Weng was appointed to the Board of Tex Cycle Technology on 13 May 2005. He was appointed to the Board of Tex Cycle in 13 August 2001. He has been directly involved in various areas of Tex Cycle's business management, particularly Marketing, Sales and Distribution. Prior to his appointment to the Board of Tex Cycle, he was attached to Metro-Engravers Sdn. Bhd. and was involved mainly in the Sales and Marketing Department. Tex Cycle has benefited from his experience in marketing and sales, where his job function includes building a sales and marketing team with representatives based in different locations to reap the full benefit of local knowledge. He is also in charge of exploring new business potential in both the regulated and non-regulated waste generating industries.

GENERAL DATO' SERI CHE MD NOOR BIN MAT ARSHAD (Rtd)

Independent Non-Executive Director; 65 years of age; Malaysian

General Dato' Seri Che Md Noor Bin Mat Arshad (Rtd) was appointed to the Board of Tex Cycle Technology on 13th May 2005. An old boy of the Boys Wing Royal Military College, he was commissioned into the Malaysian Armed Forces as an Officer in December 1963. He obtained his Master's Degree in International Relations and Strategic Studies from University of Lancaster. During his thirty five and half years of service with the Malaysian Armed Forces, General Dato' Seri Che Md Noor had held various command and staff appointments at various levels, culminating with being Chief of Malaysian Army from 1995 to 1997.

PROFILE OF DIRECTORS (cont'd)

Annual Report 2007

RAZALI BIN JANTAN

Independent Non-Executive Director; 50 years of age; Malaysian

Razali Bin Jantan was appointed to the Board of Tex Cycle Technology on 13 May 2005. He holds a Diploma in Business Studies and subsequently joined Modern Commodities Trading as a Dealer. From 1983 to 1992, he was attached to Malaysian Tobacco Company Berhad with the Marketing Department. In 1993, he founded Quest Entrepreneur Sdn. Bhd., which is involved in event management, and QE Advertising (M) Sdn. Bhd., which is an advertising agency. He is currently the Managing Director of Quest Entrepreneur Sdn. Bhd. and the Chief Executive Officer of QE Advertising (M) Sdn. Bhd. He is proficient in various languages including several Chinese dialects.

RAVINDRAN MARKANDU

Independent Non-Executive Director; 58 years of age; Malaysian

Ravi Markandu was appointed to the Board of Tex Cycle Technology on 1 March 2007. He is Fellow of the Institute of Chartered Accountants in England and Wales since 1976 and a member of the Malaysian Institute of Accountants. His previous employments include ten years with the UMW Group as Group Accountant initially and finally as Group Financial Controller of UMW Toyota Motor Sdn. Bhd., seven years with the Upali Group, the last position held being Executive Director, Malaysian Operations. In 1993 he accomplished a management buy-in of Bright Packaging Industry Berhad and successfully had the company listed on the Second Board of the Kuala Lumpur Stock Exchange in 1995. He left Bright Packaging in 1998, after having sold a substantial portion of his stake. He now provides financial consultancy and advisory services and through a family company he is involved in housing development and investment. He is also involved with a number of not-for-profit organisations, being the Honorary Secretary-General of the Kuala Lumpur and Selangor Indian Chamber of Commerce and Industry, Honorary Treasurer of the Bukit Damansara House Owners' Association, and a committee member of the Institute of Chartered Accountants in England and Wales, Malaysia City Group.

Additional Information:

Except for Ho Siew Choong, Ho Siew Weng and Ho Siew Cheong who are siblings, none of the Directors has any family relationship with any Directors and/or major shareholders of the Company. None of the Directors has any conflict of interest with the Company or has any conviction for offences within the past ten (10) years other than traffic offences, if any.

CHAIRMAN'S STATEMENT

Annual Report 2007

On behalf of the Board of Directors of Tex Cycle Technology (M) Berhad ("Tex Cycle Technology" or "Company"), I am pleased to present the Annual Report and Financial Statements of the Group for the financial year ended ("FYE") 31 December 2007.

Overview

During the financial year under review, the Group's customer base achieved continuous growth in its recycling services. As at 31 December 2007, the Group had approximately 1,368 customers, an increase of approximately 13.53% as compared to its customer base of 1,205 customers as at 31 December 2006. In line with the growth of its customer base, the Company achieved a revenue of about RM13.69million in the FYE 31 December 2007, an increase of 9.96% as compared to that of the previous financial year.

Industry Trend

According to Economic Report for year 2007/2008, The Government continues to promote environmental conservation to ensure a more integrated and sustainable management of natural resources. To promote the 3Rs (reduce, recycle and reuse) concept in solid waste management and reduce pressure on natural resources, the recently passed Solid Waste and Public Cleansing Management Bill mandates the sorting of solid waste at source. The Bill also allows for the introduction of the 'deposit rebate scheme' as well as the 'take-back system' to further enhance the recycling and reuse industries. With the establishment of the Department of National Solid Waste Management as well as the Solid Waste and Public Cleansing Management Corporation, solid waste management will be streamlined and resources will be effectively and efficiently utilised. At the same time, these initiatives will help address environmental problems and issues associated with non-sanitary landfills.

The Government will ensure a balance between economic development and environmental management. Environmental pollution imposes a real cost to the economy. This calls for proper management of the environment, including managing waste generated by economic activity and households. Education and public awareness programmes to reduce, recycle and reuse materials can help to mitigate the increase in waste products. In addition, there is a need to preserve ecological balance and splendour as well as increase public awareness on the importance of environmental quality. There are opportunities to co-opt all stakeholders to work together in undertaking sustainable management of natural resources.

The Malaysian economy is expected to register robust growth in 2008, with real gross development product ("GDP") expanding between 5% and 6%. This translates to a 6.8% growth in nominal per capita income, rising from RM22,345 in 2007 to RM23,864 in 2008 or in purchasing power parity terms from USD13,289 to USD14,206. With an unemployment rate of 3.3%, the Malaysian economy will continue to operate under full employment. In tandem with the Government's efforts to ensure fiscal sustainability, the fiscal deficit will continue to decline to 3.1% of GDP. Malaysia's balance of payments position is expected to remain strong with the current account recording a surplus for the eleventh consecutive year. The current account surplus amounting to 13.0% of GDP will emanate from the goods and travel account. These developments augur well for all Malaysians and keep the nation on track towards realising Vision 2020.

(Source : Economic Report, 2007/2008 and Bank Negara Annual Report 2007)

Based on the strong outlook of the Malaysian economy and the favourable Government policies and legislation, the outlook for the Scheduled Waste recycling services industry is expected to be positive.

Utilisation of Proceeds from the IPO

As at 31 December 2007, the Tex Cycle Group has utilised approximately 80% of the gross proceeds of RM9.9 million raised from the IPO for the following purposes:-

- Finance the capital expenditure for expansion;
- Partly finance the acquisition of land;
- Repay bank borrowings;
- Strengthen the Group's working capital; and
- Payment of the listing expenses.

Financial Review

For FYE 31 December 2007, the Tex Cycle Group achieved revenue of about RM13.69 million, an increase of 9.96% as compared to that of the previous financial year. The Group profit before tax ("PBT") rose by about 4.18%, from RM4.78 million for the FYE 31 December 2006 to RM4.98 million for the FYE 31 December 2007. In line with the increase in PBT, the Group's profit after tax ("PAT") increased by 3.2%, from RM3.44 million to RM3.55.

The improvement in PBT and PAT was mainly attributed to increase in demand for the existing waste categories as well as revenue generated from the two new waste categories which was added to the Group's business on 1 May 2007 that allowed the Group to treat more Scheduled Waste.



CHAIRMAN'S STATEMENT (cont'd)

Annual Report 2007

Dividends

A final dividend of 5% less 27% tax amounting to RM623,394, proposed in the previous financial year was paid by the Company during the financial year.

In recognition of the Group's performance, the Board is proposing a first and final dividend of 5% less 26% taxation on 170,793,000 ordinary shares, amounting to RM631,934 (0.037 sen net per ordinary share) in respect of the FYE 31 December 2007 subject to shareholders' approval at the forthcoming Annual General Meeting.

Corporate Developments

On 5 July 2007, the subsidiary of the Company, Tex Cycle had acquired two (2) ordinary shares of RM1 each in a dormant company known as Premier Everest Sdn Bhd (Premier Everest) for a consideration of RM2. Upon the acquisition, Premier Everest became a wholly-owned subsidiary of Tex Cycle, which is in turn, is a wholly-owned subsidiary of Tex Cycle Technology. Subsequently, Premier Everest changed its name to Tex Cycle (P2) Sdn Bhd (Tex Cycle P2) on 18 July 2007.

On 9 August 2007, Tex Cycle Technology announced that it had acquired two pieces of land ("Properties") in Klang, Selangor under Tex Cycle P2. The acquisition was completed on 8 January 2008 and Tex Cycle intends to construct a new collection and recycling facility on the Properties to expand its current operational capacity. The management of Tex Cycle is currently in the process of formulating their plans for the new recycling facility which involves the submission of applications to various authorities for the new facility and its construction. The management of Tex Cycle expects the new facility to be completed and operational by 2011 as there are various applications / processes required for the construction of a recycling facility. Tex Cycle is also exploring the possibility of treating other types of contaminated waste at this new facility.

Research and Development

During the financial year, Tex Cycle had completed its research and development ("R&D") into ways to convert oily sludge into inert silicious materials that can be used as oil binders in the oil and gas industry to absorb and stabilise oil sludge for easy disposal. The management of Tex Cycle is awaiting for the approval from Department Of Environment to carry out the treatment and conversion of the contaminants at the Company's proposed new recycling facility in Klang, Selangor.

Also, the R&D team of the Company has successfully discovered ways to convert used oil into bio-fuel and used rags into floating oil absorbers. The R&D team is currently carrying out testing in order to enhance the treatment process as well as the results. The team expects that they will be able to complete this project by 2009.

The R&D projects are undertaken with the main objective of improving the efficiency of the Group's recycling services as well as to explore new recycling / treatment processes. The capital expenditure incurred by the Group for R&D purposes for the second half was not material and the Directors of Tex Cycle are of the view that the R&D expenditure and future allocation for R&D are not expected to have any material financial impact on the Group for the financial year ending 31 December 2008.

For the FYE 31 December 2007, we had spent approximately RM94,377, representing 0.69% of the Group's turnover on R & D.

Prospects for 2008

The Group expects to penetrate further into the electrical, chemical, aviation, oil & gas and furniture manufacturing industries for its recycling business

According to the Ninth Malaysia Plan, the Government will place emphasis on preventive measures to mitigate and minimise pollution during the Ninth Malaysia Plan period (2006-2010). The promotion of sustainable natural resource management practices in relation to land, water, forest, energy and marine resource, will be intensified. Furthermore, the Solid Waste and Public Cleansing Management Bill 2007 and the Solid Waste and Public Management Corporation Bill 2007 were passed by Parliament in July 2007. The passing of these Bills will result in the setting-up of a National Solid Waste Management Department as the regulatory body and the Solid Waste Management Corporation to conduct the operations of managing solid waste. Therefore, the prospects of the Group's Scheduled Waste recycling business is expected to be favorable.

As for the Group's chemical products business, the Directors of Tex Cycle expect continuous demand for chemical products from its defense industry customers. Therefore, the Directors of Tex Cycle expect the Group to continue achieving satisfactory performance for the financial year ending 31 December 2008.



CHAIRMAN'S STATEMENT (cont'd)

Annual Report 2007

Board Changes

On 16 January 2008, Lt. General Dato' Jaffar Bin Mohamed (Rtd) resigned from the Board. On behalf of the Board of Directors, I wish to record our sincere appreciation to him for his invaluable contributions to the Group.

Appreciation and Acknowledgement

I would like to take this opportunity to express my sincere appreciation to all employees of the Group, whose untiring efforts and dedication have been crucial to the continued growth of the Group. My thanks also goes to my fellow Directors, Shareholders, Customers, Business Partners, Bankers and Regulatory Authorities for their continued confidence, guidance and support.

On behalf of the Board

Ho Siew Choong
Executive Chairman
22 April 2008

MANAGING DIRECTOR'S REPORT

Annual Report 2007

TEX CYCLE SDN BHD began its operations as a humble recycling Company 24 years ago. Today, Tex Cycle is a Public Listed Company with a strong portfolio of assets, market position and acquaintances connected by shared values and common interests.

Together with the growth of our Company, our aspiration has also matured. We are determined to advance as the preferred Scheduled Waste Recycling Company in the region. As we perform our duties in an era where the Earth is going through drastic changes in climate, everyone is looking at how to save the Earth from further deterioration by human activities.

Our intention is therefore to report on more than just our financial performance and tell a broader story as clearly as we can, highlighting not only our achievements but also being open about the difficulties we encounter. Our aim is to provide a clearer window through which policies, commitments and performances can be assessed, both by the outside world and by our employees.

We have created a report that provides a concise account of the main issues affecting the Scheduled Waste Recycling business and explain how Tex Cycle seeks to address them.

Our business strategy begins with our fundamental purpose to protect the environment and to maximize shareholders value in the long term. This simple phrase makes a complex demand. We develop a strategy that will create a competitive advantage and similarly create value. Then, in order to maintain shareholders value for a long term, we build a business that will persevere and operate progressively in a challenging world. Our strategy defines the destination-shareholder value, but the test of sustainability provides the reference by which we judge everything we do. It defines the path towards our destination.

In order to achieve sustainability, a company cannot exist in isolation but must recognize and manage its wider impact and contribution to the society. We do this by identifying our core values, incorporating them in our business policies and applying it through specific management processes and standards in our daily activities. Our goal is to recycle scheduled waste and find means of reusing them without creating any long term damage to our planet or its people. We have implemented programs to reuse recovered water and heat from our daily operations which can be identified as a broader global waste reduction.

Looking to more specific issues, as we manage the impact of our activities on the environment, we are driven by an aspiration to transcend trade-off between scheduled waste recycling improvements in living standards and environmental degradation. In practical terms, we do this by defining our core values, enshrining them in policies with real meaning and then applying them through specific management processes and standards throughout all our activities. All these are carried out within a well-defined system of governance, details of which are clearly laid out.

We have made the principle of mutual advantage an important aspect in our approach to relationships. This principle implies that when a third party makes a contact with Tex Cycle, it should create advantage for us as well as the third party, be it Customer, Supplier, Community or Country. The ISO 14001 certification by SIRIM Malaysia and successful reuse of 90% of the recovered water from our operations are some of the outstanding achievements through our commitment to this principle.

As a manifestation of our commitment towards the environment, Tex Cycle received the highest award presented to an organisation which has the best environmental practices. In 2007, Tex Cycle proudly received :

1. Prime Ministers Hibiscus Award for Exceptional Achievement In Environmental Performance 2006/ 2007
2. Prime Ministers Hibiscus Award for SME Special Award 2006/ 2007
3. Prime Ministers Hibiscus Award by Selangor State 2006/2007.



MANAGING DIRECTOR'S REPORT (cont'd)

Annual Report 2007



Tex Cycle is committed to the Community through support and sponsorship of environmental awareness programs for Students, Employees, Suppliers, Contractors, NGO's and any other interested party. Every year, we receive Students from Institution of Higher Learning for Internship and work closely with Local Universities on Research & Development. Third Party Audit Programs by Customers, Government Agencies, NGO's and other parties, both locally and internationally, encourage Tex Cycle to keep abreast with latest technologies in the Environmental Industry. As Tex Cycle progresses toward its goals, we continuously encounter difficult and complex issues in meeting the requirements of the ever-changing environment. Tex Cycle pledges to be a good force wherever it operates and make Corporate Responsibility the heart of our business.

This report has presented genuine insight as to what is at the core of Tex Cycle. Sincerely hoping details asserted in this report will endow its readers with clear depiction of the actions, we are engaging to meet the world's requirement for near perfection of environmental protection while promoting human progress and preserving the natural environment. We welcome ideas and suggestions for improvements in our efforts to reduce, reuse, recover and recycle.

S. Perry
Managing Director



FINANCIAL HIGHLIGHT

Annual Report 2007

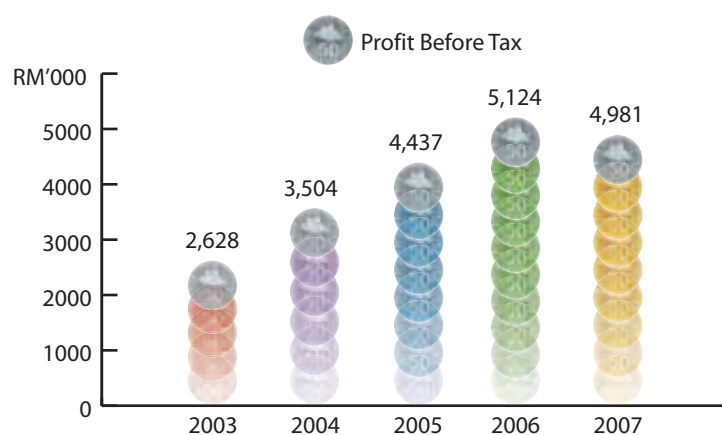
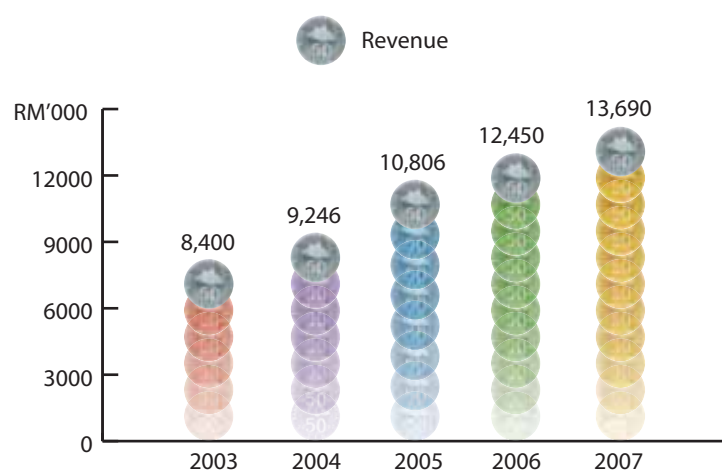
SUMMARISED GROUP INCOME STATEMENT

FYE 31 December	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000
Revenue	8,400	9,246	10,806	12,450	13,690
Profit before tax	2,628	3,504	4,437	5,124	4,981
Profit after tax	1,729	2,121	3,184	3,784	3,550
Net earnings per share (sen)	1.37 [^]	1.69 [^]	1.86	2.22	2.08

Notes:

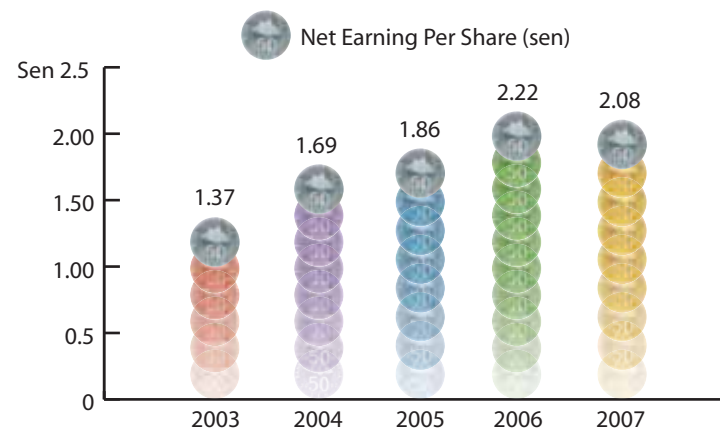
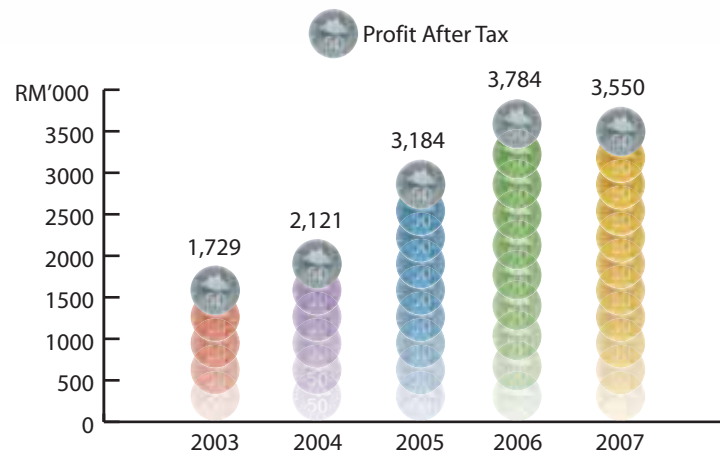
[^] Based on the number of ordinary shares assumed in issue after the acquisitions of TCSB, MKT and Metro Envy but before the public issue.

1. The figures for the FYE 31 December 2003 to 31 December 2004 are provided on the proforma consolidated basis on the assumption that the existing group structure of Tex Cycle had been in existence throughout the periods under review.



FINANCIAL HIGHLIGHT (cont'd)

Annual Report 2007



FINANCIAL HIGHLIGHT (cont'd)

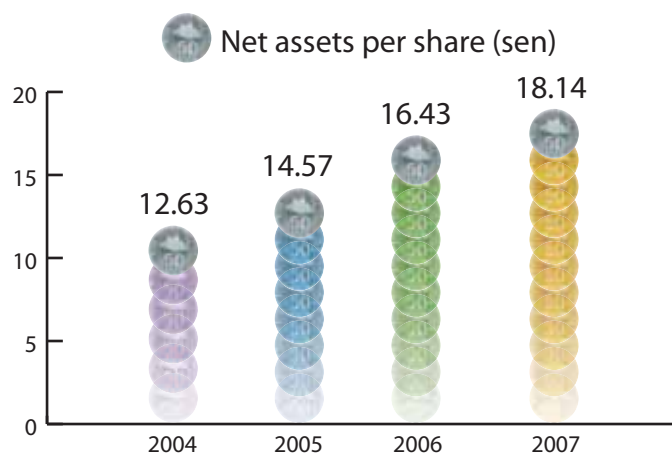
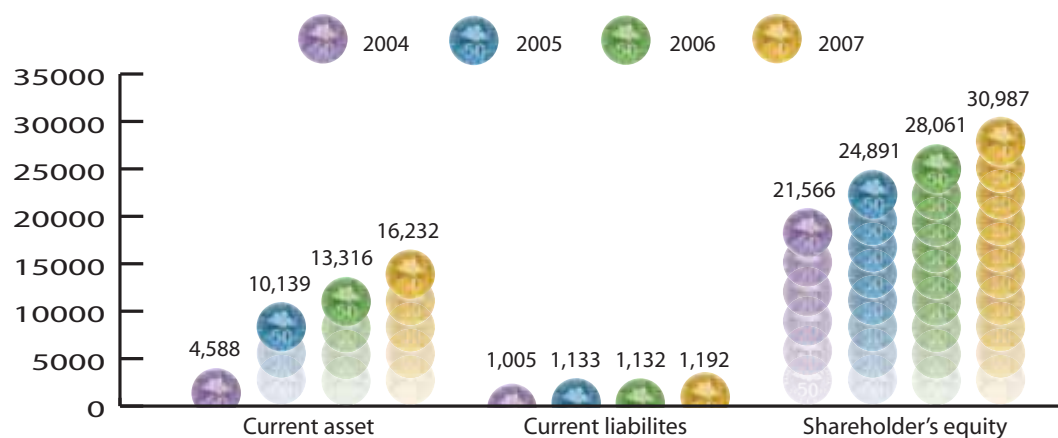
Annual Report 2007

SUMMARISED GROUP BALANCE SHEET

FYE 31 December	2004*	2005	2006	2007
	RM'000	RM'000	RM'000	RM'000
Current assets	4,588	10,139	13,316	16,232
Current liabilities	1,005	1,133	1,132	1,192
Shareholders' equity	21,566	24,891	28,061	30,987
Net assets per share (sen)	12.63	14.57	16.43	18.14

Note:

* Based on the Proforma Consolidated Balance Sheets of the Tex Cycle Group as at 31 December 2004 after taking into account the effect of the initial public offering and utilisation of proceeds.



STATEMENT ON CORPORATE GOVERNANCE

Annual Report 2007

Introduction

The Board of Directors ("Board") of Tex Cycle Technology (M) Berhad adopts the best practice of corporate governance in conducting the business and affairs of the Company and the Group. The Board ensures that the highest standards of Corporate Governance are observed to ensure the Group's continued progress and success as these would not only safeguard and enhance shareholders investment and value but at the same time protect the interests of other stakeholders. In line with the Listing Requirements of Bursa Malaysia Securities Berhad, the Board wishes to report on the manner the Group has maintained the standards of corporate governance by supporting and implementing the prescriptions of the principles and best practices set out in the Malaysian Code of Corporate Governance ("Code").

1. The Board of Directors

The Board is collectively responsible for promoting the success of the Group by directing and supervising its affairs. The key responsibilities include the primary responsibilities prescribed under the Best Practices Provision AA I in Part 2 of the Code. These cover a review of the strategic direction for the Group and overseeing the business operations of the Group, evaluating whether these are being properly managed.

a) Board Composition and Balance

The Board of Directors consists of a Chairman, a Managing Director and 7 directors, of who 3 are independent directors. The roles of the Chairman of the Board and Managing Director are segregated. Tex Cycle complies with the MESDAQ Listing Requirements on board composition. The profiles of each of the Directors are set out on page 4 to 6 of this Annual Report.

b) Re-Election of Directors

An election of Directors will take place each year where one-third of the Directors shall retire from office at each Annual General Meeting and shall be eligible to offer themselves for re-election. Directors who are appointed by the Board are subject to election by the shareholders at the next Annual General Meeting held following their appointments.

c) Board Meetings

During the financial year ended 31 December 2007, the Board met a total of 5 times. Details of the meetings are as follows:

Date of Board Meeting

Executive Directors	Attendance
Ho Siew Choong	5/5
Periasamy A/L Sinakalai	5/5
Lt. Gen. Dato' Jaffar Bin Mohamed (Rtd) (Resigned on 16 January 2008)	5/5
Yusseri Bin Said	5/5
Ho Siew Cheong	4/5
Ho Siew Weng	5/5
Non-Executive Directors	Attendance
General Dato' Seri Che Md Noor Bin Mat Arshad (Rtd)	5/5
Razali Bin Jantan	4/5
Ravindran A/L Markandu (Appointed on 1 March 2007)	4/4

The meetings were held on 26 February 2007, 16 April 2007, 21 May 2007, 23 August 2007 and 15 November 2007 respectively.

The agenda and issues discussed were prepared and circulated before each meeting. Minutes of the Board meetings are maintained by the Company Secretary.

All Directors have access to the advice of the Company Secretary, independent professional advisors, and internal/external auditors in appropriate circumstances at the Company's expense.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Annual Report 2007

d) Duties and Responsibilities

The board assumes the following responsibilities:

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate replacing Management;
- Developing and implementing an investor relations programme or shareholder communications policy for the Group and
- Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including system for compliance with applicable laws, regulations, rules, directives and guidelines.

e) Supply of Information

Each Board Member receives regular reports, including a comprehensive review and analysis of the Group's performance. Prior to each Board meeting, the directors are sent an agenda and full set of Board papers for each agenda item to be discussed at the meeting. This is issued in sufficient time to enable the directors to obtain further explanations, where necessary.

Guidelines are in place concerning the content presentation and delivery of papers to the Board for each Board meeting so that the directors have access to all information within the Company, whether as full board or in their individual capacity, in furtherance of their duties.

The directors also have direct access to the advice and services of the Group's Company Secretary who is responsible for ensuring that the Board procedures are followed.

f) Nomination and Remuneration Committee

In line with the Best Practices of the Code of Corporate Governance, the Board has set up the Nomination and Remuneration Committee. The committee comprises a majority of Independent Non-Executive Directors as its members. The committee is responsible for identifying and recommending to the Board suitable nominees for Board appointments, and assists the Board in determining the Directors' remuneration. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

The present members of the Nominating Committee of the Company are:

- i. Razali Bin Jantan (Chairman)
- ii. General Dato' Seri Che Md Noor Bin Mat Arshad (Rtd)

Attendance of Nominating Committee

The details of the attendance of each Nominating Committee member in the Nominating Committee meeting held during the financial year ended 31 December 2007 are as follows:

Directors	Total number of meeting held	Number of meeting attended
Razali Bin Jantan	1	1/1
General Dato' Seri Che Md Noor Bin Mat Arshad (Rtd)	1	1/1

Note

*The meeting was held on 26 February 2007

The present members of the Remuneration Committee of the Company are:

General Dato' Seri Che Md Noor Bin Mat Arshad (Rtd)
Razali Bin Jantan
Periasamy A/L Sinakalai

There was no remuneration meeting held during the financial year ended 31 December 2007.

The remuneration package of Executive Directors during the financial year ended 31 December 2007 comprises a combination of basic salary (inclusive of statutory employer contributions to the Employees Provident Fund), and benefits-in-kind (such as traveling allowance and chauffeurs as applicable).

The Non-Executive Directors are paid allowance and Directors' fee.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Annual Report 2007

The composition and range of remuneration package received by the Directors during the financial year is as follows:

Executive Directors			Non - Executive Directors
Salaries and Other Emoluments (RM)	Benefits-in-Kind (RM)	Fee (RM)	Fee (RM)
601,298	-	96,000	34,000
RM		No Of Directors	
		Executive	Non-Executive
Below 50,000		1	3
50,001 – 150,000		4	0
Above 150,000		1	0

g) Directors' Training

All Directors appointed to the Board, apart from attending the MAP and the CEP accredited by Bursa Malaysia Securities Berhad, complete other relevant training programmes to further enhance their business acumen and professionalism in discharging their duties to the Group.

To further enhance the Directors' knowledge in relation to the business of the Group, the directors have made visits to the factory. During such visits, these Directors obtained first hand understanding of the business operations and challenges faced by the Group.

Particulars of training programmes attended by the Directors are as follows:

Directors	Seminar / Conference / Workshop	Details of Programme
Ho Siew Choong	Strategic Risk Management Seminar	Seminar on Strategic Risk Management of the group
Periasamy A/L Sinakalai	Strategic Risk Management Seminar	Seminar on Strategic Risk Management of the group
Lt. Gen Dato' Jaffar Bin Mohamed (Rtd) (Resigned on 16 January 2008)	Strategic Risk Management Seminar	Seminar on Strategic Risk Management of the group
Yusseri Bin Said	Strategic Risk Management Seminar	Seminar on Strategic Risk Management of the group
Ho Siew Cheong	Strategic Risk Management Seminar	Seminar on Strategic Risk Management of the group
Ho Siew Weng	Strategic Risk Management Seminar	Seminar on Strategic Risk Management of the group
Ho Siew Weng	Image de France Conference	Future of the emission regulations in Malaysia, the challenges to enforce new limits and Alstom Solutions and experiences to comply with the emission to air regulations
Ho Siew Weng	Trade Mission from Italy Conference	Opportunities and Collaborations in Environment, Renewable Energy & Biotechnology Sectors
Ho Siew Weng	Bio Malaysia 2007 Exhibition and Conference	Networking, marketing and knowledge-sharing platform for the biotechnology industry locally and globally
Ho Siew Weng	Printing Industry and It's Impact on the Environment	Printing Industry and It's impact on the Environment
General Dato' Seri Che Md Noor Bin Mat Arshad (Rtd)	Strategic Risk Management Seminar	Seminar on Strategic Risk Management of the group
Razali Bin Jantan	Strategic Risk Management Seminar	Seminar on Strategic Risk Management of the group
Ravindran A/L Markandu (Appointed on 1 March 2007)	Strategic Risk Management Seminar	Seminar on Strategic Risk Management of the group

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Annual Report 2007

2. Shareholders

a) Dialogue with Investors

Recognizing the importance of timely dissemination of information to shareholders and other stakeholders, the Board is committed to ensure that the shareholders and other stakeholders are well informed of major developments of the Company and the information is communicated to them through the following:

- (i) the Annual Report;
- (ii) the various disclosures and announcements made to Kuala Lumpur Stock Exchange including the Quarterly Results and Annual Results

b) Investors Relations

Along with good corporate governance practices, the Company has embarked on appropriate corporate policies to provide greater disclosure and transparency through all its communications with the public, the shareholders and investors.

The company strives to promote and encourage bilateral communication with its shareholders through participation at its general meetings and also ensure timely dissemination of any information to the investors, analysts and public at large. The company always maintain and promote transparency in our business activities and to continually keep the shareholders and the public well-informed on the Company's activities.

The Group maintains the following website that allows all shareholders and investors access to information about the Group :- www.texcycle.com.my

c) General Meetings

The Annual General Meeting (AGM) is an important forum where communications with shareholder are effectively conducted. Shareholders will be notified of the meeting together with a copy of the Company's Annual Report at least twenty one (21) days before the meeting. Shareholders are encouraged to participate in the proceedings and ask questions about the resolutions being proposed and the operations of the Group.

The external auditors are also present to provide their professional and independent clarification, if required, on issues highlighted by the shareholders.

3. Accountability and Audit

a) Financial Reporting

The quarterly financial results and annual financial statements are reviewed by the Audit Committee and approved by the Board of Directors before releasing to the Bursa Malaysia Securities Berhad.

The Directors aim to present a balanced assessment of the Group's position and prospects in the interim and annual financial statements. The details of the Group and Company's financial statements for the FYE 31 December 2007 are set out on page 81 to 122.

b) Internal Control

The Board has overall responsibility for maintaining a system of internal control that provides reasonable assurance of effective and efficient operations, and compliance with laws and regulations, as well as with internal procedures and guidelines.

The Statement on Internal Control, which provides an overview of the state of the internal controls within Group, is set out on page 23 of this Annual Report.

c) Relationship with the Auditors

The Company has established a transparent arrangement with the auditors to meet their professional requirements. From time to time, the auditors highlight to the Audit Committee and Board of Directors on matters that require the Board's attention. Annual appointment or re-appointment of the external auditor is via shareholder's resolution at the AGM on the recommendation of the Board.

d) Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which are in accordance with the applicable approved accounting standards and that give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cash flow of the Group and Company for the financial year.

The Directors are satisfied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2007, the Group has used the appropriate accounting policies and applied them consistently. The directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Annual Report 2007

4. Additional Compliance Information

a) Utilisation of Proceeds (as at 31 December 2007)

The utilisation of proceeds raised from the IPO was as follows:

	IPO Proceeds RM'000	Amount Utilised RM'000	Balance RM'000
R & D Expenditure	3,500	3,500	-
Capital Expenditure for Expansion	2,870	1,592	1,278
Repayment of bank borrowings	1,320	1,239	81 @
Working Capital	710	710	-
Listing Expenses	1,500	878	622 #
Total	9,900	7,919	1,981

@ All the bank borrowings had been paid off by 31 October 2005. The unutilised amount has been utilised for the working capital of the Tax Cycle Group.

Excess listing proceeds due to earlier payment of listing expenses prior to the date of listing. The unutilised amount has been utilised for the working capital for the Tex Cycle Group.

b) Share Buybacks

There was no share buyback during the financial year.

c) Option , Warrants or Convertible Securities

No options, warrants or convertible securities were issued during the financial year

d) American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR") Programme.

The company did not sponsor or participate in any ADR or GDR programme during the financial year.

e) Imposition of Sanctions and Penalties

There were no sanctions and penalties by relevant regulatory authorities during the financial year.

f) Non Audit Fees

There were no non audit fees paid to external auditors for the financial year.

g) Variance in Results, Profit Estimate, Forecast or Projection

There was no material variances between the results for the financial year and the unaudited results previously announced on 26 February 2007.

There were no profit estimates, forecast or projection that has been previously announced by the Company during the financial year.

h) Profit Forecast and Profit Guarantees

The Company did not issue any profit forecast or profit guarantee for the year ended 31 December 2007.

i) Material Contracts

None of the Directors and major shareholders had any material contract with the Company and/ or its subsidiaries during financial year.

j) Recurrent Related Party Transactions ("RRPT")

Details of the transactions with related parties undertaken by the Group during the financial year are disclosed in Note 19 to the Financial Statements.

k) Revaluation Of Landed Properties

The Company did not revalue its property, plant and equipment and does not have a policy on the revaluation of its landed properties.

l) Imposition of Sanctions/ Penalties

During the FYE 31 December 2007, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

AUDIT COMMITTEE REPORT

Annual Report 2007

MEMBERSHIP AND MEETINGS

The Audit Committee comprises the following members:

Chairman

Ravindran Markandu (Re-designated on 24 October 2007)
Independent Non-Executive Director

General Dato' Seri Che Md Noor Bin Mat Arshad (Rtd) (Re-designated on 24 October 2007)
Independent Non-Executive Director

Members

Ho Siew Choong (Re-designated on 3 December 2007)
Executive Chairman

Razali Bin Jantan
Independent Non-Executive Director

Ravindran Markandu
Independent Non-Executive Director

General Dato' Seri Che Md Noor Bin Mat Arshad (Rtd) (Appointed on 24 October 2007)
Independent Non-Executive Director

During the year, the Committee held a total of five (5) meetings, on 26 February 2007, 16 April 2007, 21 May 2007, 23 August 2007 and 15 November 2007 respectively. The Financial Controller, Internal Auditors and External Auditors were invited when necessary to attend the Audit Committee meetings.

The details of attendance of the Audit Committee members are as follows:

<u>Committee Members</u>	<u>Meeting Attendance</u>
General Dato' Seri Che Md Noor Bin Mat Arshad (Rtd)	5/5
Ho Siew Choong	5/5
Razali Bin Jantan	4/5
Ravindran Markandu (Appointed on 1 March 2007)	4/4

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The main activities undertaken by the Audit Committee during the FYE 31 December 2007 included the following:

- Reviewed the quarterly unaudited financial and annual audited financial statements of the Group and the Company including the announcements pertaining thereto, before recommending to the Board for their approval and release of the Groups results to Bursa Malaysia Securities Bhd.
- Reviewed with external auditors on their audit planning memorandum on the statutory audit of the Group for the financial year ended 31 December 2007.
- Reviewed and discussed with the external auditors of their audit findings inclusive of system evaluation, audit fees, issues raised and management letter together with management's response.
- Reviewed the internal audit plan;
- Reviewed the internal audit reports presented and considered the findings of internal audit through the review of the internal audit reports tabled and management responses thereof;
- Reviewed the effectiveness of the Group's system of internal control;
- Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group;
- Reviewed the Company's compliance with the MESDAQ Listing Requirements, applicable Approved Accounting Standards and other relevant legal and regulatory requirements; and
- Report to the Board on its activities and significant findings and results.

AUDIT COMMITTEE REPORT (cont'd)

Annual Report 2007

INTERNAL AUDIT FUNCTION

Tex Cycle has appointed Messrs Focus Internal Audit Solution (“Internal Auditor”), a professional firm of qualified accountants, to undertake the internal audit function. The role of the Internal Auditor is to provide the Committee with independent and objective reports on the system and state of internal controls of the Company.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Membership

The Audit Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) members, a majority of whom shall be Independent Directors. All members of the audit committee should be non-executive directors.

The members of the Audit Committee shall elect a chairman from among their members who shall be an independent director. No alternate director shall be appointed as a member of the Audit Committee.

Qualification

At least one (1) member of the Audit Committee:-

- (a) must be a member of the Malaysian Institute of Accountants; or
- (b) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience and:
 - he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - he/she must be a member of one (1) of the association of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
 - fulfils such other requirement as prescribed by the Bursa Securities.

Meeting and Minutes

Meetings shall be held not less than four (4) times a year, and will normally be attended by the Chief Executive Officer, General Manager of Finance and other senior management, if necessary. The presence of external and/or internal auditors will be requested, if required. Other members of the Board and senior management may attend meetings upon the invitation of the Audit Committee. Both the internal and/or external auditors may request a meeting if they consider it to be necessary. The Audit Committee shall meet with the external auditors without executive board members present at least twice a year.

The Secretary to the Audit Committee shall be the Company Secretary. The Chairman of the Audit Committee shall report on each meeting to the Board.

Authority

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to any information pertaining to the Group, both the internal and external auditors and to all employees of the Group. The Committee is also authorised by the Board to obtain external legal or other independent professional advice as necessary in the discharge of its duties.

AUDIT COMMITTEE REPORT (cont'd)

Annual Report 2007

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (cont'd)

Responsibilities and Duties

In fulfilling its primary objectives, the Audit Committee undertakes, amongst others, the following responsibilities and duties:-

- a) To discuss with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of audit;
- b) To review major audit findings arising from the interim and final external audits, the audit report and the assistance given by the Group's officers to the external auditors;
- c) To review with the external auditors, their evaluation of the system of internal controls, their management letter and management's responses;
- d) To review the following in respect of internal audit:-
 - adequacy of scope, functions and resources of the firm of internal auditors (that was engaged to undertake the internal audit function) and that it has the necessary authority to carry out its work;
 - the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function.
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - review and approve any appointment or termination of senior staff members of the internal audit function; and
 - take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- e) To review the quarterly reporting to the Bursa Securities and year end annual financial statements of the Group before submission to the Board, focusing on:-
 - compliance with accounting standards and regulatory requirements;
 - any major changes in accounting policies;
 - significant and unusual items and events.
- f) To review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- g) To consider the nomination and appointment of external auditors, as well as the audit fee;
- h) To review any letter of resignation from the external auditors and any questions of resignation or dismissal;
- i) To review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment;
- j) To verify that the allocation of options pursuant to the Employees' Share Options Scheme of the Company is in accordance with the criteria for allocation established under the scheme at the end of each financial year; and
- k) To promptly report to Bursa Securities if it is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

STATEMENT ON INTERNAL CONTROL

Annual Report 2007

The Board of Directors recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. As there are limitations that are inherent in any system of internal control, this system is designed to manage rather than eliminate risks that may impede the achievement of the Group's business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers, inter alia, financial, operational and compliance controls and risk management procedures.

The Group has in place an on-going process for identifying, evaluating, monitoring and managing significant risks faced by the Group and this process includes reviewing and updating the system of internal controls to take into consideration changes in the regulatory and business environment. This process is regularly reviewed by the Board via the Audit Committee. The Board is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial year ended 31 December 2007.

(i) Control Environment

The Group has an organization structure that is aligned to business requirements. The internal control mechanism is embedded in the various work processes at appropriate levels in the Company. The MD is accountable for ensuring the existence and effectiveness of internal control and provides leadership and direction to senior management on the manner the Company controls its businesses, the state of internal control and its activities. The internal control processes are reviewed and updated from time to time. This is to ensure that they are relevant and effective to respond to market changes.

(ii) Internal Audit

The outsourced Internal Auditors had reviewed the Group's system of internal controls and had reported the internal audit activities conducted within the year to the Audit Committee on a regular basis. The Internal Audit team independently reviews the risk identification procedures and control processes implemented by the management. Any significant weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls were reported to the Audit Committee. Reports on internal audit findings, together with recommendations for Management actions, are reviewed by the Audit Committee.

(iii) Information and Communication

While the Management has full responsibility in ensuring the effectiveness of internal control, which it establishes, the Board of Directors has the authority to assess the state of internal control as it deems necessary. In doing so, the Board has the right to enquire information and clarification from Management as well as to seek inputs from the Audit Committee, external and internal auditors, and other experts at the expense of the Company.

(iv) Risk Management

The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year under review. This is to ensure that all high risks are adequately addressed at various levels within the Group. Risk management is embedded in the Group's management system and is every employee's responsibility. The Group firmly believes that risk management is critical for the Group's continued profitability and the enhancement of shareholder value.

CONCLUSION

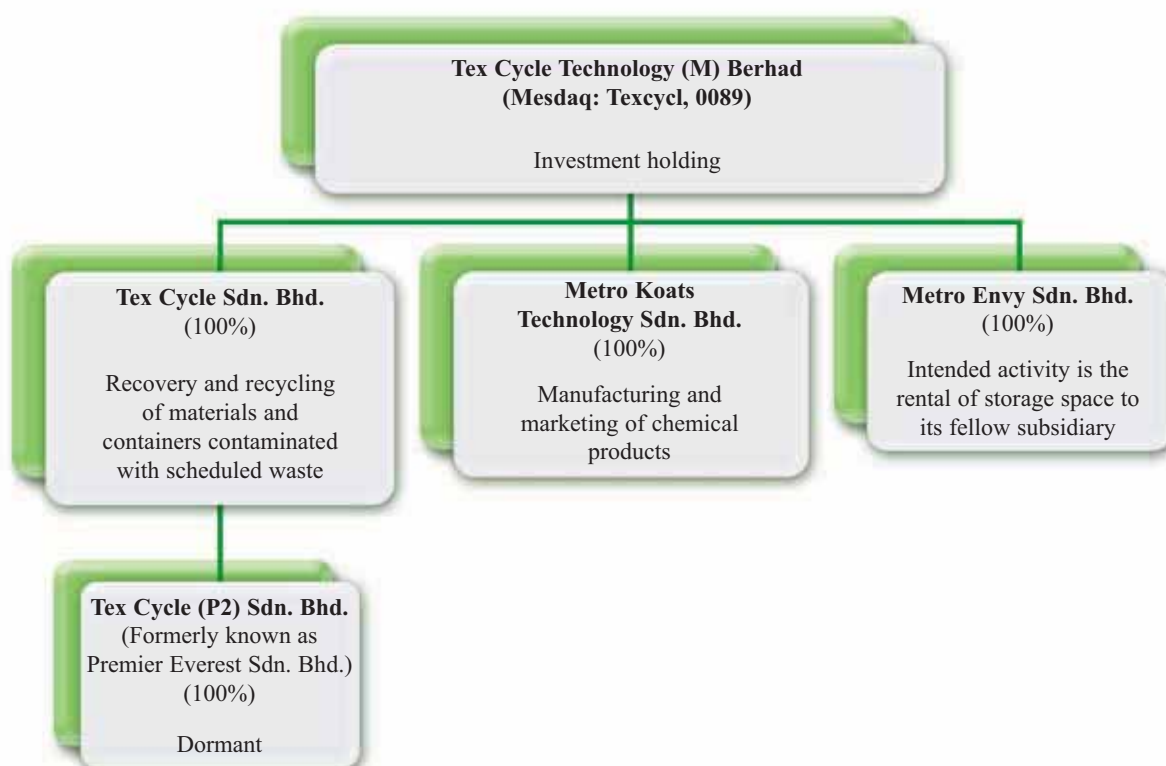
On overall, the Board of Directors is satisfied that the process of identifying, evaluating and managing significant risks that may affect achievement of the Group's business objectives is in place to provide reasonable assurance to that effect. It is the Group's positive attitude towards striving for better that drives its desire to make sure the system of internal control will be enhanced on regular basis as the Group progresses to the next level. The Board of Directors and the Management will seek regular assurance on the effectiveness and soundness of the internal control system through appraisals by the internal as well as external auditors.

CORPORATE PROFILE

Annual Report 2007

Tex Cycle Technology (M) Berhad (“Tex Cycle Technology” or “Company”) was incorporated in Malaysia as a private limited company on 17 February 2004 under the Companies Act, 1965. On 11 March 2004, it was converted into a public company and assumed its present name. The Company was established to become the investment holding company of **Tex Cycle Sdn. Bhd.** (“Tex Cycle”), **Metro Koats Technology Sdn. Bhd.** (“Metro Koats”) and **Metro Envy Sdn. Bhd.** (“Metro Envy”) (collectively referred to as “Tex Cycle Group” or “Group”) in conjunction with the listing of Tex Cycle on the MESDAQ Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) on 27 July 2005.

On July 5, 2007, the subsidiary of the Company, Tex Cycle Sdn. Bhd. (TCSB) acquired two (2) ordinary shares of RM1 each in a dormant company known as Premier Everest Sdn. Bhd. (PESB) for a consideration of RM2. Upon the acquisition, PESB becomes a wholly-owned subsidiary of TCSB, which is in turn, a wholly-owned subsidiary of the Company. Subsequently, PESB changed its name to **Tex Cycle (P2) Sdn. Bhd.** on July 18, 2007.



The Group's Corporate Structure and Principal Activities



CORPORATE PROFILE (cont'd)

Annual Report 2007

METRO ENVY SDN. BHD.

Metro Envy was incorporated on 16 January 2004 and the intended activity is rental of storage space to its fellow subsidiary.

TEX CYCLE (P2) SDN. BHD.

Tex Cycle (P2) Sdn. Bhd. (TCP2SB) (Formerly known as Premier Everest Sdn. Bhd.) was incorporated on 4 June 2007. TCP2SB has not commenced operations since its incorporation. However, the intended principal activity of the Company involves recovery and recycle of scheduled waste.

CORPORATE PROFILE (cont'd)

Annual Report 2007

METRO KOATS TECHNOLOGY SDN. BHD.

Mission

- To be recognize internationally as a premier camouflage company.
- To continually develop more unique camouflage products.
- To assist the Defence Ministry call for more locally developed and manufactured defence related products.

Introduction

An all-Malaysian company, Metro Koats Technology Sdn Bhd was incorporated in 1995 to manufacture specialized paint. Noting a general absence of homegrown defence products, Metro Koats devoted its resources to the development of camouflage products for tactical military applications. Specifically, developing and manufacturing camouflage products that are fully acclimatized to our tropical environment; immediately benefiting the Malaysian Armed Forces.

The Challenge

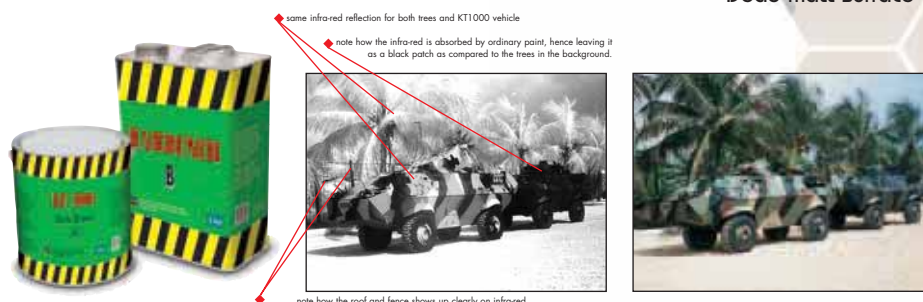
In view of today's advanced technology in electronic surveillance and image enhancers, the ability to detect beyond the visual range of the human eye (400-740 nm) has become the norm. For even the simplest and the most widely used electronic visual enhancer in the battlefield, the night-vision goggles has a detection range that is well beyond the human visual range. On the extreme end, electromagnetic radar wave has the ability to penetrate not just through darkness and atmospheric impedance but also through materials. The urgent need to counter these devices is evermore crucial in deciding the outcome of a conflict.

Today, with strong encouragement and support from the Ministry of Defence, Metro Koats has further strengthen its position in this specialized field of tactical military camouflage by developing a whole range of products working in a broadband electromagnetic spectrum.

Metro Koats whole range of products seamlessly combine to form an integrated broadband camouflage system (Metro Koats Total Camouflage System) which when used in service will seriously hinder the effectiveness of today's electronic detectors and weapon system - giving that decisive edge needed.

Visual and Near Infra red Reflecting camouflage paint

- Fast drying time – 10 minutes
- "wet-on-wet" application
- 2 component polyurethane system, fully tropicallized
- Visual and Near infrared camouflaging characteristics
- Dead matt surface

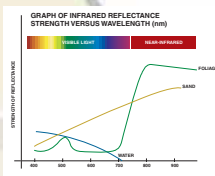


METRO KOATS TOTAL CAMOUFLAGE SYSTEM

a complete solution to all tactical military visual, infra-red and radar camouflage requirements

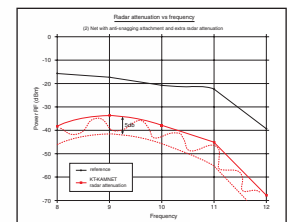
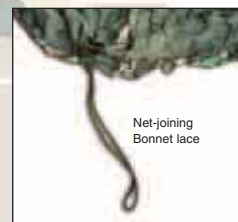
Windscreen camouflage

- Pre-matched colors
- Visual and infrared camouflaging
- See-through
- Glint reduction



Broadband camouflage nets

- 100% rot proof
- No metal parts
- Camouflage in visual, near infra, far infra-red
- Radar scattering capability up to millimeter wave
- Dead matt surface



Flexible surface camouflage

- Ready to use
- Matching colors to the body paint
- Visual and infrared camouflaging



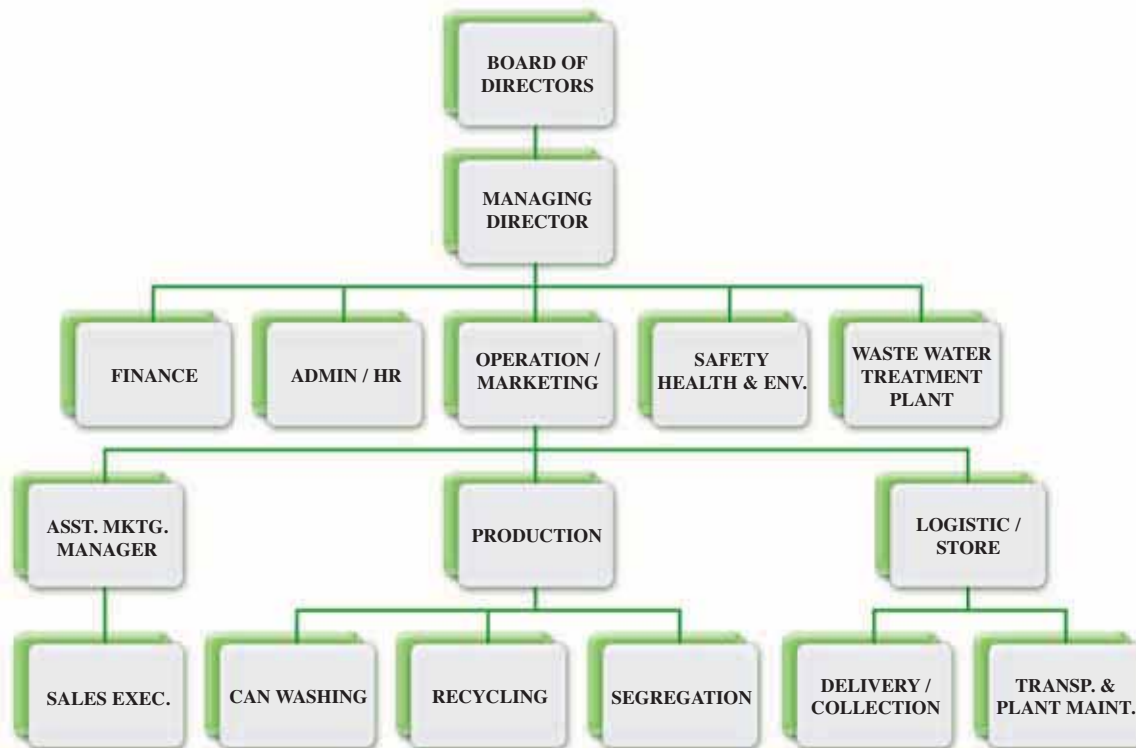
CORPORATE PROFILE (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ ORGANIZATION CHART

To recycle contaminated rags, wipes, containers and some other wastes identified by the Department of Environment as Scheduled Waste has been the core business of Tex Cycle Sdn. Bhd. since it was founded in 1984, 24 years ago. Our goal has always been to recycle industrial waste, maximise the conservation of our natural resources within our abilities and find ways to reuse industrial waste that do not impose long term damage to the planet or its people.



TEX CYCLE SDN. BHD.

❖ RESPONSIBILITIES

Members of the Environmental Committee within Tex Cycle's Organisation

Director

- Supports the Managing Director on Environmental Management.

Managing Director

- Appoints the Environmental Management Representative (EMR).
- Establish the EC Organisation.
- Participates, access and approves the Environmental Policy, Manual and Procedures.
- Ensures smooth running of the Environmental Management Operation.
- Evaluates the appropriateness of the EMS in the Management Review.
- Ensures that Environmental Management System requirements are established, implemented and maintained in accordance with ISO 14001 standards.
- Chairs the Environmental Management Review.
- Active in the R&D contribution, ideas and activities carried out in Tex Cycle

Environmental Management Representatives (EMR)

- Co-ordinates, liaise for initiation of Environmental Activities.
- Provides information to all members regarding environmental issues.
- Plans, co-ordinates and controls of Environmental Management System, including internal audits to ensure compliance.
- Supports the Managing Director on Environmental Management.
- Ensures execution of the Environmental Management Operations and compliance of Management Operation to ISO 14001.
- Report to Managing Director pertaining to EMS performance.
- Promotes Environmental Awareness Activities among the staff.
- Plans and co-ordinates Environmental Education and Training.
- Centralizes the control of the environmental documents and records.
- Establish a proper document control system and filing of environmental data.
- Checks and controls the data changes or revision and co-ordinates with the respective section.
- Liaises with local environmental bodies with regards to environmental issues.

Section Head

- Support and involve in all EMS activities.
- Establish relevant EMS documentation.
- Check and control the data changes or revision and co-ordinates with the respective section.
- Carry out certain EMS training and education programme.

All Employees of Tex Cycle

- Will maintain Tex Cycle's Environmental Management System in compliance to ISO 14001 requirements.
- Comply with all Environmental and Other Legal Requirements in all areas of operation.

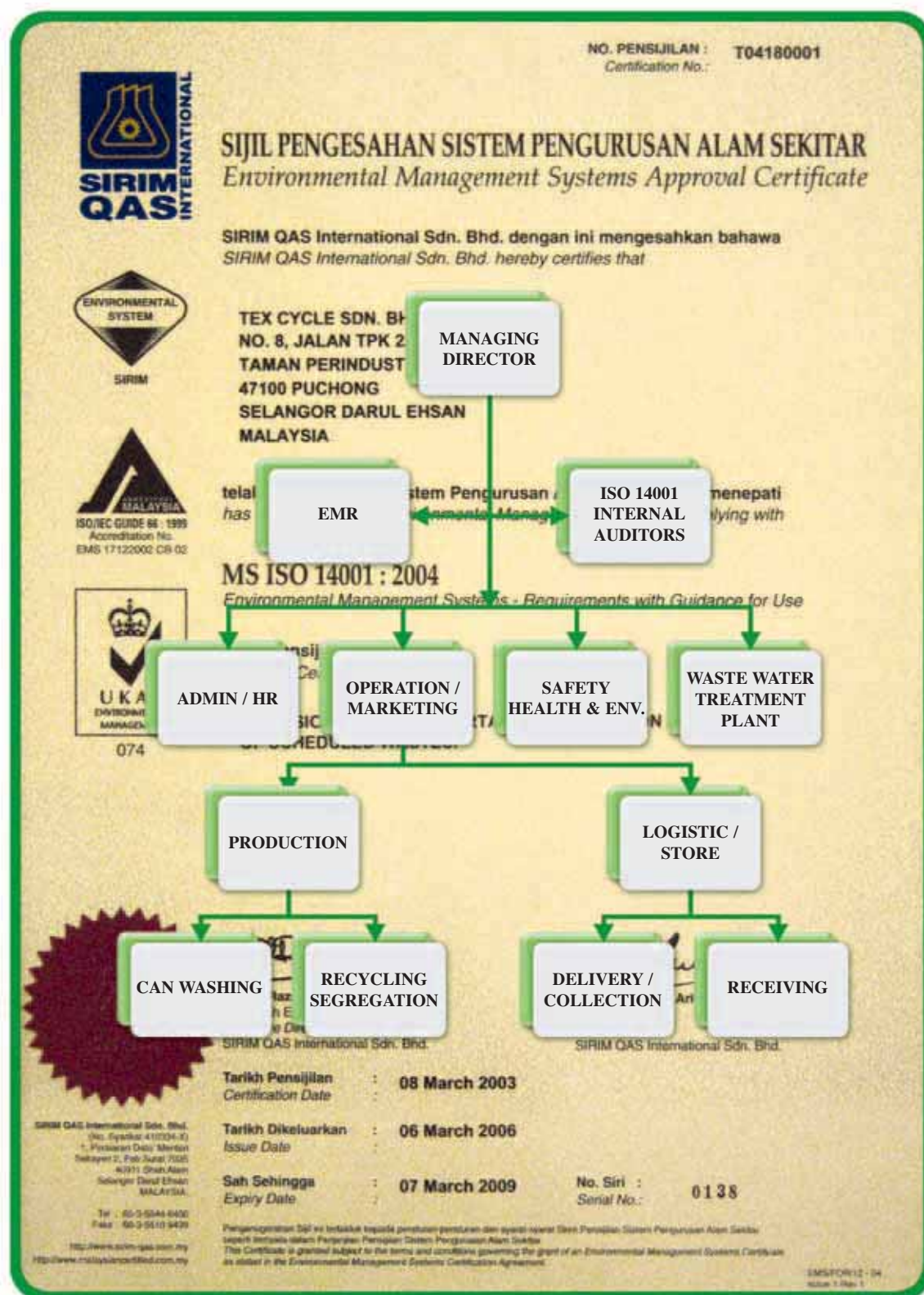
ISO 14001 Internal Auditors

- Carry out ISO 14001 internal audit once a year or when required. Report observations and non conformance based on the requirements of ISO 14001.

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ ISO 14001 ORGANIZATION CHART



CORPORATE PROFILE (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ MISSION

Tex Cycle Sdn Bhd has significantly developed into becoming a pioneer and a leading Scheduled Waste Recycler in Malaysia. This accomplishment is through mere determination, persistence and passion in persuading the company's vision and mission.

Employees



Ensuring that our employees work in a safe environment and return to their families safely is our priority. Our employees are our most valuable asset.

Technology



Constantly and continually upgrading technologies for more effective operations, practically and technically.

Research and Development (R&D)



Innovation and creativity is stimulated through R & D in every aspect of business for continued success.

Clients



Customer satisfaction is given utmost importance with loyal and professional advice and exceptional customer service.

Environment



Provide and uphold a safe, healthy, clean and conducive environment and instill awareness on environmental protection.

Social responsibility



Extend awareness on environmental protection to the community around us and educate the future generation on importance of caring for the environment. Readily extend assistance in whichever way possible to the less fortunate.

By completely and sincerely pursuing these visions and missions, Tex Cycle Sdn. Bhd. is able to create an image which is prominent and unique. This image subsequently contributes to the success of our business and all those who are related i.e. employees, customers, stakeholders, etc.

The Government of Malaysia is focusing more attention on recycling and protecting the environment now, than ever before. In parallel with many of the International Environmental Organizations who place much effort to persevere the Earth, Malaysia is also getting involved in helping the nation to Reduce, Reuse, Recover & Recycle in every way possible. This has sparked more interest for many organisations here to seek our assistance as Tex Cycle is responsible to reduce as much waste as possible from the processes and ensure that the toxic from these scheduled wastes are not exposed to the environment.

With more highlight on this Industry from the Government, more and more companies with similar operations bloom rapidly. However, Tex Cycle Sdn. Bhd. stands firm with constant engagement in Research and Development and the capability to upgrade its technology consistently to service customers who develop more and more complex series of scheduled waste.

CORPORATE PROFILE (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ PRODUCTS



Gloves

Tex Cycle collects used cotton, rubber and leather gloves directly from companies in the electronics, engineering, automobile, oil & gas, printing and other manufacturing industries. Our job is to remove contaminants from the soiled gloves so that they can be reused. Damaged materials can also be converted into safe recyclable products, fit for reuse.



Pad Sewn Rags

Commonly used by many industries, the rags are made mainly from waste rags. It is affordable and can be recycled at the same time.

Spill-Kit Absorbent

TC soap-up, spill absorbent material TC pillow and boom which is made from 100% recycle material, good absorbent rate, easy to use. It is recyclable and minimum impact to the environment.



Uniforms & Work Attire

Overalls, aprons, arm-guards from the related Industries We ensure toxic waste does not leave premises of our customer. By clearing the toxic found in these, it becomes reusable and therefore has minimal environmental impact



TC Wiper Clothes

TC wipes were designed with 100% cotton, durability, recyclable and good ability to absorb grease, oil and chemicals. The TC wipes were introduced to assist industries to manage the purchasing cost of rags and wipes and the disposal cost of these contaminated materials.

Triple Rinse System

The 'triple rinse system' container decontamination system, fully developed in-house by Tex Cycle has the ability to clean containers from sizes as small as tin cans up to large 200 litres (44 gallons) bung hole and open drums. The process is fully automatic and enclosed to prevent the spread of contaminations, hence ensuring the safety of the workers and the environment. All the contaminants are easily removed, especially from the insides of 'hard-to-reach' large bung hole drums by the system's unique 'aqua-scrubber' action using a combined media of chemical, water and air. The contaminants are then passed through the wastewater treatment system where they are concentrated into sludge for further treatment.



TEX CYCLE SDN. BHD.

❖ SERVICES

We have developed significantly over the past few years and are continuing to extensively exploit Research and Development to continue to excel in business while protecting our environment

As a professional recycler, Tex Cycle collects used materials directly from Companies in the Electronics, Engineering, Automobile, Oil & Gas, Printing and other manufacturing industries where rags, wipes, gloves, containers, absorbent, sand and activated carbons are used widely. These materials are contaminated with grease, inks, solvents and whatever substance imaginable. Such wastes are highly regulated and must be disposed at sites only permitted by DOE. These wastes are handled by licensed contractors approved by DOE. The methods for decontamination use various processes and latest technology to ensure contaminated materials are cleaned thoroughly before returning it to the industry or recycling it into new products. Tex Cycle is always proud to display its 'cradle to grave' responsibility management and cleaner production system throughout the plant and encourage cooperation with all stakeholders.

Tex Cycle provides alternatives to Industries all over Peninsular Malaysia to recycle and recover scheduled waste. The operating and recovery facility is located at Puchong, Selangor and uses the latest technology to cater for the demand of decontaminating scheduled waste with minimum impact to the environment. The technology selected for each process is carefully analyzed to ensure its adaptation into the local environment, therefore eliminating unnecessary emission and inefficiency. Through years of determination and research efforts, Tex Cycle has developed to earn pioneer status in the recycling of scheduled waste management and has become an exemplary centre of scheduled waste management.

Wastes generated from the processes are analysed with the possibility of recycling or converting it into new products. At present, almost ninety five percent of all wastes from Tex Cycle are recycled or converted into environmentally friendly products. We identify our stakeholders and create constant co-operation with them. In order to achieve understanding between our stakeholders, Tex Cycle complies with all environmental and required regulations and practice transparency in our daily business.



CORPORATE PROFILE (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ SERVICES (cont'd)



- Tex Cycle applies the principal stated in the environmental policy by practicing cleaner production and recycling the waste generated from the processes. The waste audit from the Life Cycle Analysis report generated that only 5% of the wastes from the processes are sent to Kualiti Alam for incineration under the waste code of SW501. While the other 95% is reused in the plant or converted into new products:
- Tex Cycle provides an alternative to industries by reducing revenue on buying new wipes and control the amount of wipes disposed per month by introducing 100% cotton wipes, which is durable with high absorbency rate to reduce the amount of solvent needed for cleaning surfaces. These wipes are reusable and recyclable, therefore providing minimum impact toward the environment. The package provided by Tex Cycle is inclusive of delivery, decontamination process and disposal cost therefore helping most industries to achieve their Environmental Management Plan (EMP).
- Clean damaged gloves, rags and wipes which are no longer suitable for industrial use are converted into absorbent materials which function as an ideal spill kit to clean up spillage. Upon usage, the contaminated materials will be returned to Tex Cycle and decontaminated once again before converting into new absorbent material.
- Tex Cycle also received license from DOE to collect and recycle/ recover contaminated containers. The technology used in Tex Cycle is locally manufactured by the management through internal research in order to develop a triple rinse system which cleans bunk hole drums with minimum emission, locally adapted to the environment and according to the international standards and requirements.
- The contaminated water from the decontamination processes are channelled into the in-house wastewater treatment plant for processing. The sludge is separated from the water, dried and sent to Kualiti Alam for disposal. The water is then further cleaned, purified and recycled into the processes. No treated water is discharged into the storm drain.
- Since the decontamination machine for the gloves, rags, filters and wipes is equivalent to an industrial washing machine, hot water is required to aid the removal of the contamination. Half of Tex Cycle plant rooftop is covered with solar powered panels to provide the much required hot water for the washing process. Natural energy is used to aid in the recovery and recycling process in Tex Cycle and it is part of the policy to conserve energy and natural resources.
- Plastic bags are used in the everyday production to move the contaminated waste from department to department and were identified as one of the major environmental impacts. Therefore, starch degrading technology plastic bags are now being used and recycled within the plant. These bags will degrade by UV light if left under the sun within 3-6 months.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ ANSWERS TO INDUSTRIAL WASTE QUESTIONS



• What is Scheduled Waste?

Scheduled wastes are defined as any waste prescribed by the Minister in the regulations (Environmental Quality ACT 1974). In other terms, scheduled wastes are defined as toxic or industrial wastes which are deemed harmful to the environment. Scheduled wastes are similar to solid waste and can be found at homes, school and industries. However, scheduled wastes produced from industries are in a larger scale and thus it is classified as scheduled wastes from industries and is strictly regulated by the Department of Environment (DOE).



• Disposing Scheduled Wastes

Scheduled wastes must not be disposed in solid waste landfills because the chemical and heavy metal content in the scheduled waste will gradually seep into the ground water reserve through leakage or leaching over a period of time. Furthermore, exposure of the scheduled waste to elements such as rain and sun will cause more unwanted reaction and concoction to nearby water source used in households.

Contaminated land and water with scheduled wastes will only burden the surrounding community and the clean water source. Incidents whereby local communities have to be evacuated due to illegal dumping of scheduled wastes and rationing fresh water supply due to heavy contamination from upstream at water treatment plants are scenarios experienced by residents of Malaysia. These few examples are the irresponsible action of industries by disposing the scheduled wastes into local landfills.

The cost required in remediating contaminated land and water is very high and time consuming. Therefore, it is always advisable to dispose scheduled waste appropriately.



• The Dangers of Scheduled Wastes

Scheduled wastes that are seeped into the ground and water source may remain in the natural surrounding for a very long period of time. The dangers of these wastes are not felt immediately but will interrupt human health over a period of time. Many researches, local and international have discovered that the side effects of scheduled wastes contribute towards the growth of cancers and deformed birth.

Residential areas which are built on contaminated land or receive water from contaminated sources are always in danger of suffering the impacts of scheduled wastes. The sad reality is that the impact is not usually felt within that generation. It is a crime to illegally dispose hazardous waste but ignorance is mainly the excuse for the crime.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ ANSWERS TO MANY INDUSTRIAL WASTE QUESTIONS (cont'd)



- **Functions of Tex Cycle**

Tex Cycle is a company that specializes in recycling and recovery of scheduled waste. It was formed in 1984, a time when contaminated waste was unintentionally dumped in landfills or burned indiscriminately at obscure places. Since then, the company has developed to earn pioneer status in the recycling of scheduled waste. Tex Cycle practices and acts on the worldwide effort of waste minimization, living the motto of “reduce, reuse, recover, recycle”.

Tex Cycle discourages waste disposed for incineration or to landfill. The practice of waste minimization and usage of the latest art in technology provides great opportunity for recovering raw materials from waste. At present, only 5% of the overall incoming material is generated as waste.

- **Problems with Landfill**

Klang Valley has confronted severe problems regarding space and management of these landfills. Allocation of the location for landfill is vitally important to ensure that the site is not located near water source, upstream of fresh water source or residential area. Another major concern is the illegal landfills which are not closely monitored and subsequently contributes towards land contamination when the wastes contain toxic elements.



Regardless of whether it is solid or scheduled waste, managing the landfills will cost a lot and eventually create a higher risk to reuse the land for agriculture or residential purposes.

- **Scheduled Waste as Raw Materials**

The entire business in Tex Cycle revolves around managing scheduled wastes and therefore, scheduled wastes from industries are considered as raw material for Tex Cycle. As a professional recycler, Tex Cycle collects used materials directly from companies which use rags, wipes, gloves and containers.

The contaminated materials will be cleaned appropriately and either return to the industries or sent for recycling. Since managing scheduled wastes is a major concern for the DOE, Tex Cycle has taken many steps to comply with the legislation and strive to be the leader in the industry by endeavouring environmental awards and certificates.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ STANDARD OPERATING PROCEDURE

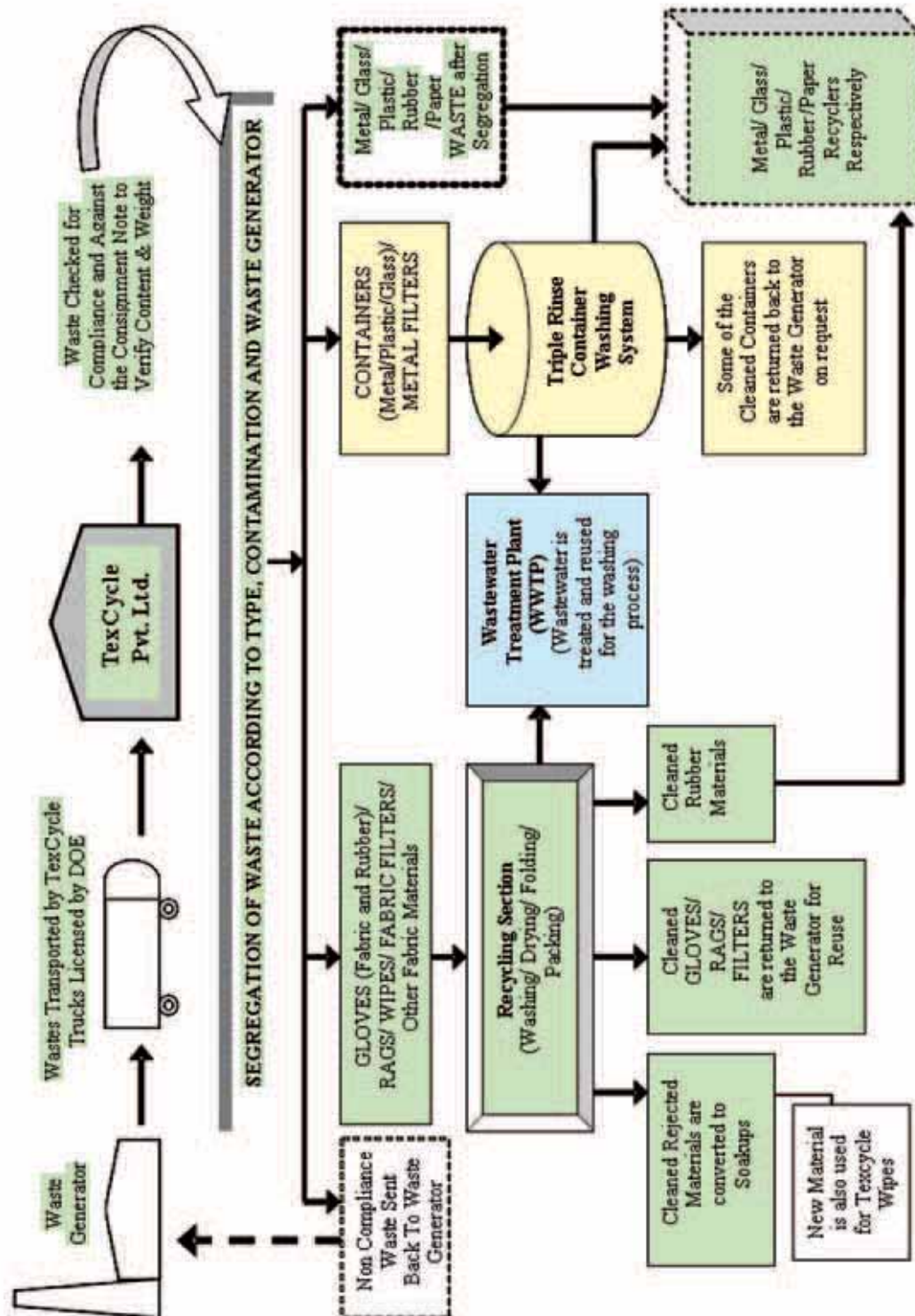


CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ PRODUCTION PROCESS FLOW

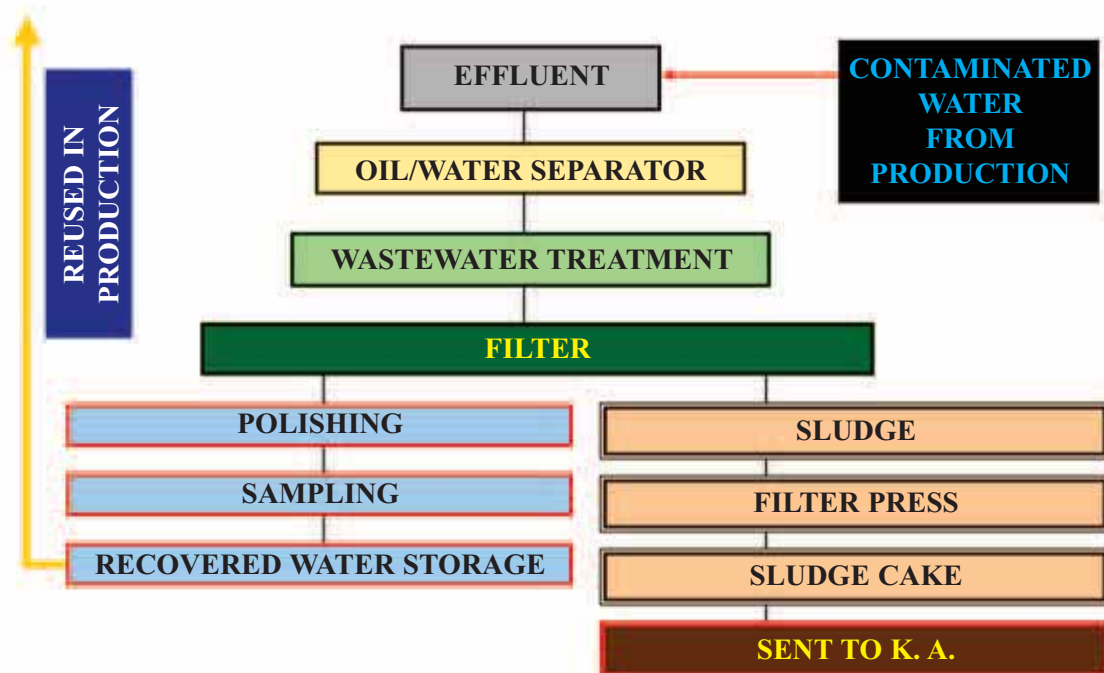


CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ PROCESS FLOW FOR WASTEWATER TREATMENT

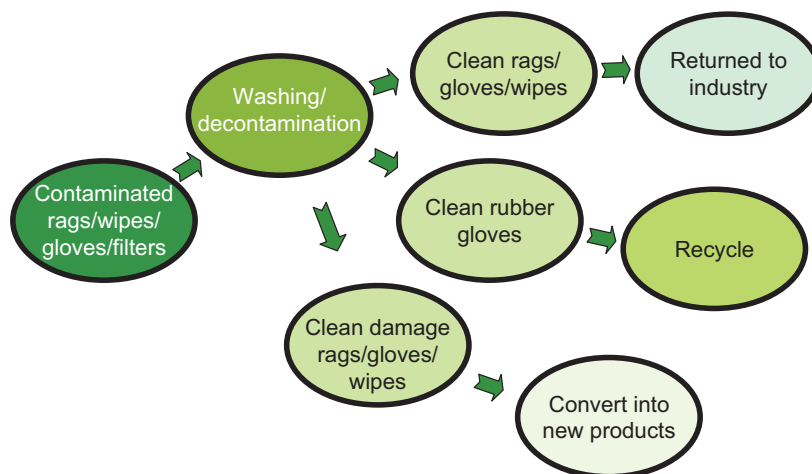


CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ PROCESS FLOW FOR CONTAMINANTS

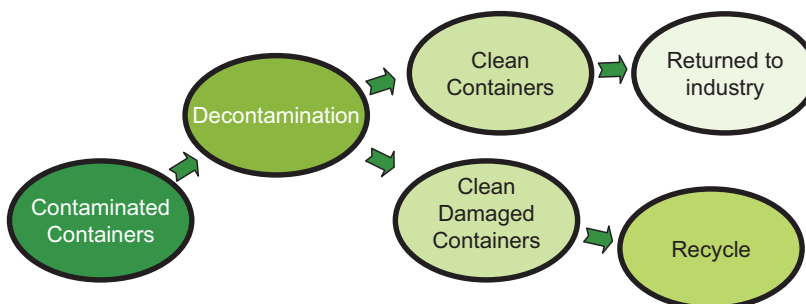


Process Flow for Contaminated Rags/wipes/gloves/filters

- **Contaminated rags/wipes/gloves/filters : Scheduled waste code - SW410**

Industry's contaminated wastes such as rags/wipes/gloves/filters are actually raw materials for the processes in Tex Cycle. Tex Cycle was established in 1984 before the enforcement of the Environmental Quality Acts (EQA) 1989. Then, Tex Cycle's main business was collecting and decontaminating the rags/gloves/wipes for reuse by the industry.

Without the awareness of the industry in recycling and reusing the rags/wipes/gloves/filters, Tex Cycle will cease to exist. The nature of business in Tex Cycle is such that it depends on the industry for raw materials and in return, conserves the environment and maximizes the natural resources and finally supports the environmental programmes of these industries.



Process Flow for Contaminated Containers

- **Contaminated containers/drums : Scheduled waste code - SW409**

Contaminated containers of all sizes from the industries are collected by licensed Tex Cycle trucks. These contaminated materials are sent to Tex Cycle's premises for decontamination. Tex Cycle uses the 'Triple Rinse' system to clean these contaminated materials and once cleaned, these containers will either be returned to industries (end users) or sent for recycling.

- **The Development of the Triple Rinse System**

The 'triple rinse system' which is a container decontamination system fully developed in-house by Tex Cycle has the ability to clean containers of different sizes, from tin cans up to large 200 litres (44 gallons) tight head and open drums. The process is fully automated and sealed to prevent the spread of air pollution, hence ensuring the safety of the workers and the environment. All the contaminants are easily removed, especially the 'hard-to-reach' areas of the large tight head drums by the system's unique 'aqua-scrubber' action using a combined media of chemical, water and air. The contaminants are then passed through the Waste Water Treatment System where it is concentrated into sludge for further treatment.

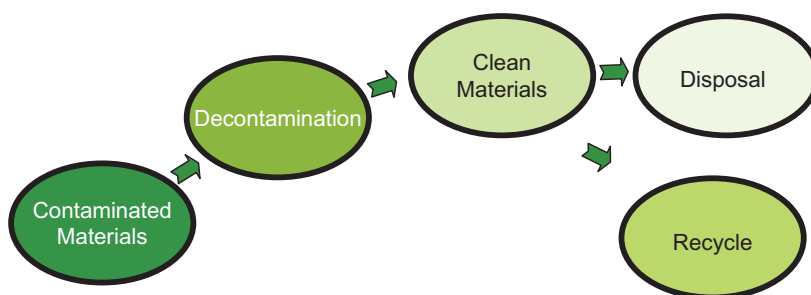
The 'triple rinse system' method of washing is an internationally accepted way of ensuring proper washing of contaminated containers and is also fully encouraged and accepted by the local authority.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ PROCESS FLOW FOR CONTAMINANTS



Process Flow for Contaminated Absorbent Material and Contaminated Activated Carbon/Sand

- **Newly received waste codes in 2007; Contaminated absorbent material : Scheduled waste code - SW408**

Contaminated material generated from cleaning spillage such as absorbents, saw dust, etc.

- **Newly received waste codes in 2007; Contaminated activated carbon/sand : Scheduled waste code - SW411**

Activated carbon and sand generated from Waste Water Treatment Plant

❖ KEY IMPACTS

❑ Environmental Issues and the Preventive / Control Measures

- **Air Pollution**
Wet scrubber is installed to remove particulars in the air from the wastewater treatment and drum washing processes. The contaminated water from the wet scrubber is then sent to the WWTP for cleaning and purifying. The ambient air is monitored twice a year according to the license requirements for VOC and TOC.
- **Smell/ Odour/ Noise**
VOC detector is used to monitor the production areas in the plant on a daily basis. Yearly monitoring is conducted according to the license condition.
- **Oil/Chemical Spill**
ERT members and staff are trained to handle spillage accidents. Spillage control material and spillage management procedures are implemented.
- **Wastewater**
Wastewater treatment plant treats effluent from production to meet Standard B of EQ Sewage & Industrial Effluent Regulations. No water/effluent is discharged into storm drain. All water from wastewater treatment plant is reused in production.
- **Land**
Recycling plant is built on a concrete layer of 8 inches depth. Therefore, Tex Cycle's contamination recycling services prevent and minimize the potential of land contamination if otherwise dumped in municipal landfills.
- **Solid Waste**
Segregation is practiced in Tex Cycle where all disposal of paper/carton boxes, aluminium and glass are sent for recycling. Domestic wastes are disposed by local authority.
- **Scheduled Waste Disposal**
Disposed to Kualiti Alam

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ KEY IMPACTS

❑ Environmental Issues and the Preventive / Control Measures (cont'd)

- Utility Usage

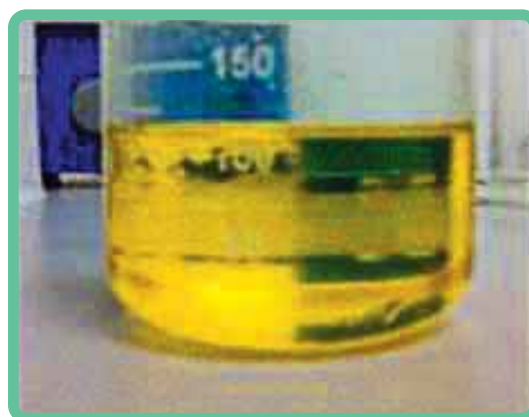
Electricity consumption is controlled with the installation of solar panels on the roof of Tex Cycle. The solar panels are used to provide hot water for the washing processes. Water consumption is also controlled by reusing the water treated at the wastewater treatment plant. City water is only used in the restrooms and pantry.

- Ozone Depleting Substances

None is used

- CO₂ Emission

One of the main departments that generate the majority of the CO₂ emission is the logistic department. Tex Cycle owns 13 fleets of licensed trucks to transport the scheduled waste from the waste generators from all over Peninsular Malaysia to the plant in Puchong, Selangor. Though the trucks are washed on a weekly basis, maintenance done every quarter and provided external training by HICOM on truck maintenance to the drivers, the consumption of diesel is still high due to the increase in sales (collection of waste). As an alternative to reduce the impact of this green house gas emission, Tex Cycle embarked on another project to generate bio-diesel from used cooking oil to run these trucks. At present, the project is still in progress and research is being carried out to improve the quality of the bio-diesel produced (currently on lab scale basis)



(Expecting to convert 60-70% of the waste cooking oil to methylester that is biofuel)

- Consumption Of NaOH

The most hazardous chemical used in the plant is Caustic Soda (NaOH) which is used for the WWTP. At present, there is no other alternative chemical which is less harmful to health and the environment which is able to replace it. But with proper production planning, the consumption of NaOH can be minimized and controlled. Furthermore, Tex Cycle demands that the chemical is diluted at the supplier premise thus minimizing human contact with the dangerous substance.

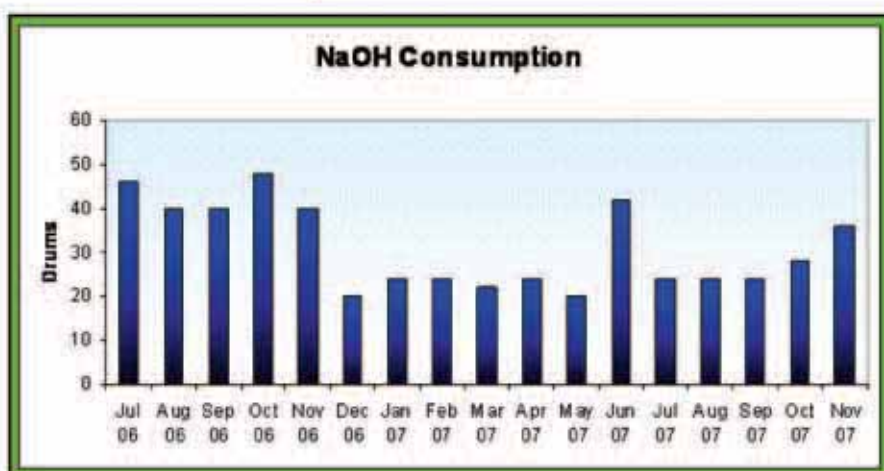
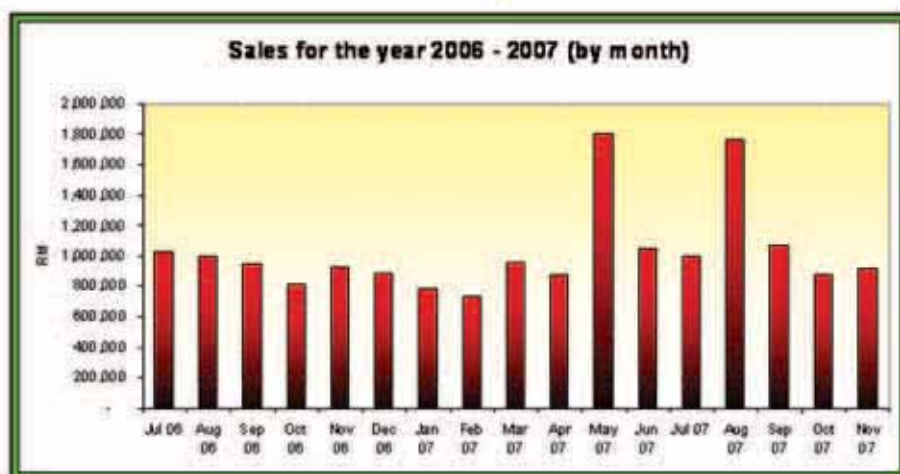
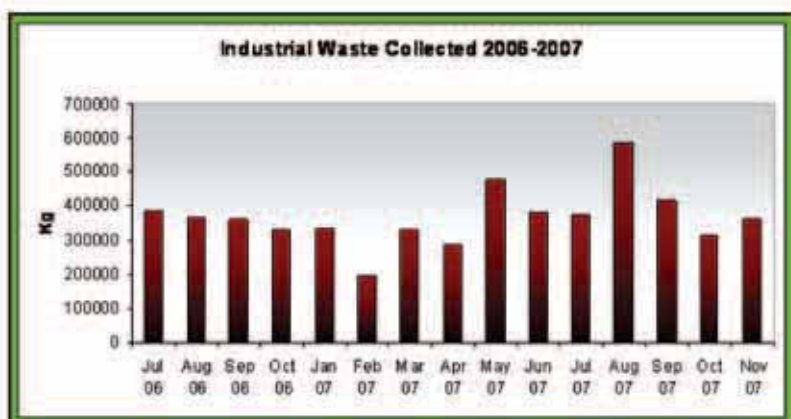
CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ KEY IMPACTS

- ❑ Use of Life Cycle Assessment (LCA) Methodology to Quantify Impacts on the Environment



CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

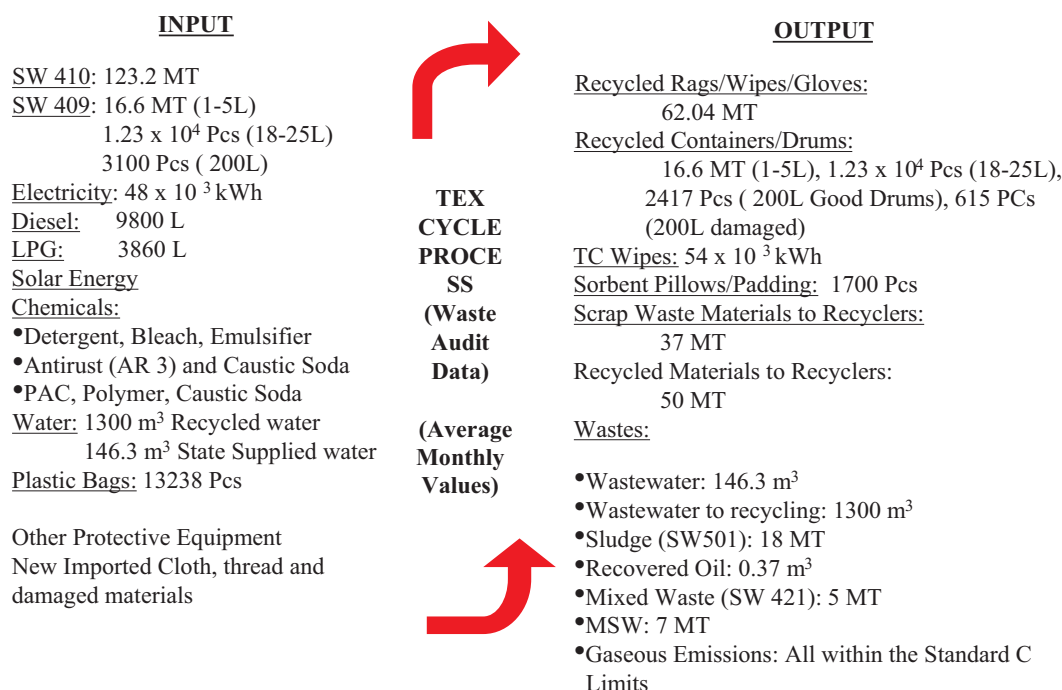
❖ KEY IMPACTS

❑ Use of Life Cycle Assessment (LCA) Methodology to Quantify Impacts on the Environment (cont'd)

The competitive market within the scheduled waste industry in Malaysia is also another factor which encouraged Tex Cycle to execute a LCA analysis. Tex Cycle has always been the best in the industry and we intend to maintain as the main industrial player. The LCA analysis will provide the opportunity to improve business performances by prioritizing capital investment.

LCA analysis also provides the transparency required by the stakeholders especially regulators on the impacts of the materials, products and processes of Tex Cycle on the environment. The LCA programme was embarked with the collaboration of University Malaya. The LCA analysis was carried out with a thorough waste audit on every operation that generates waste to determine the method of waste generated, waste characteristic, process of managing the waste and the associated cost.

The waste audit provided a good overview of the material and energy flow in the plant and we managed to identify the source of the waste and emissions. The waste audit also provided the overview of the energy and water usage pattern in Tex Cycle and the ability to assess the environmental and natural resources impact or the consequences of the action carried out by Tex Cycle's activities.



Waste Audit Data

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

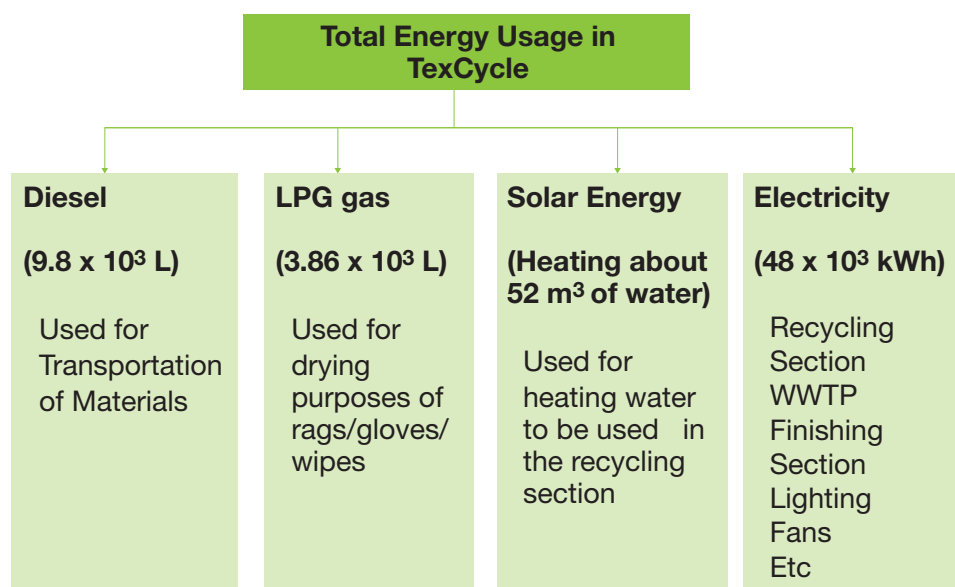
Annual Report 2007

TEX CYCLE SDN. BHD.

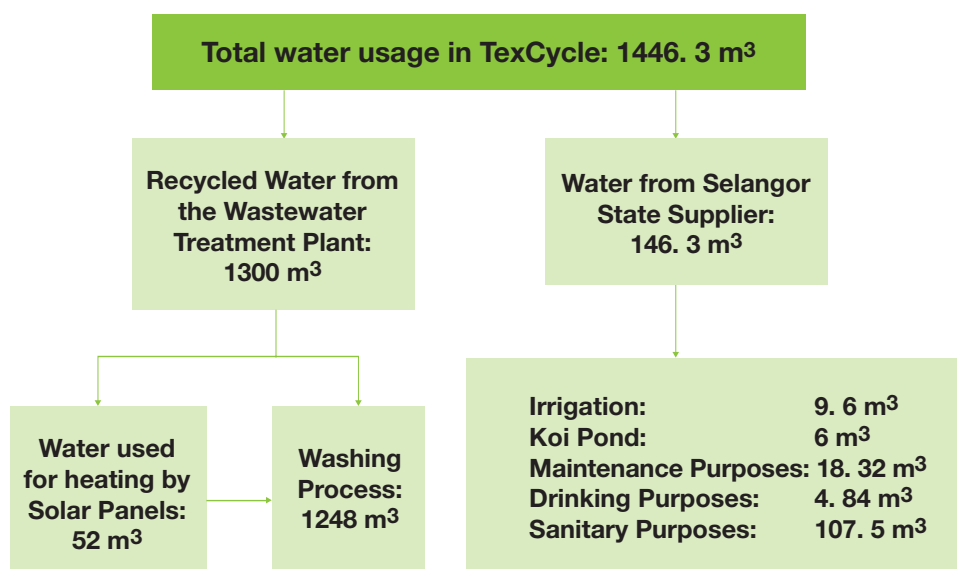
❖ KEY IMPACTS

❑ Use of Life Cycle Assessment (LCA) Methodology to Quantify Impacts on the Environment. (cont'd)

Energy Usage Pattern at Tex Cycle



Water Usage Pattern at Tex Cycle



CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

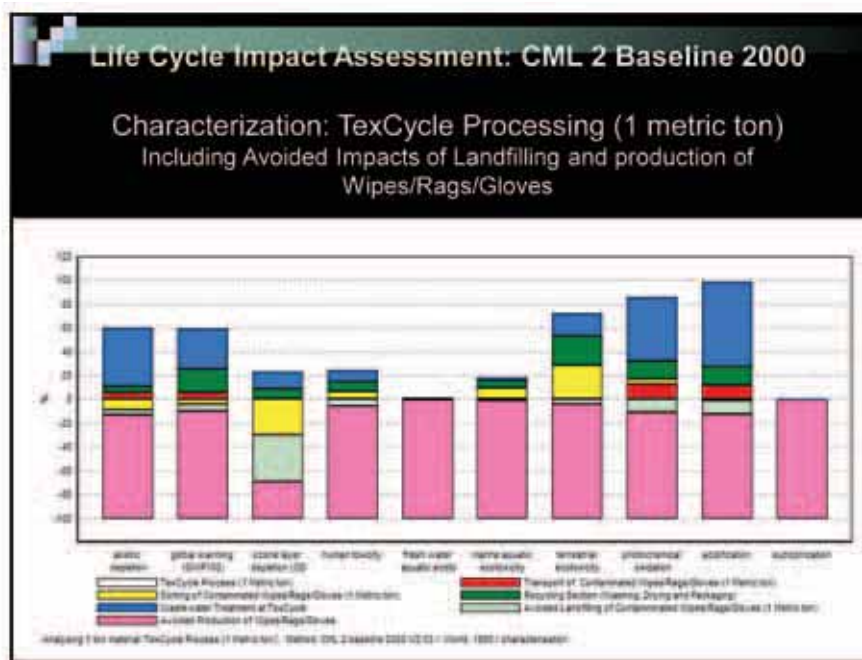
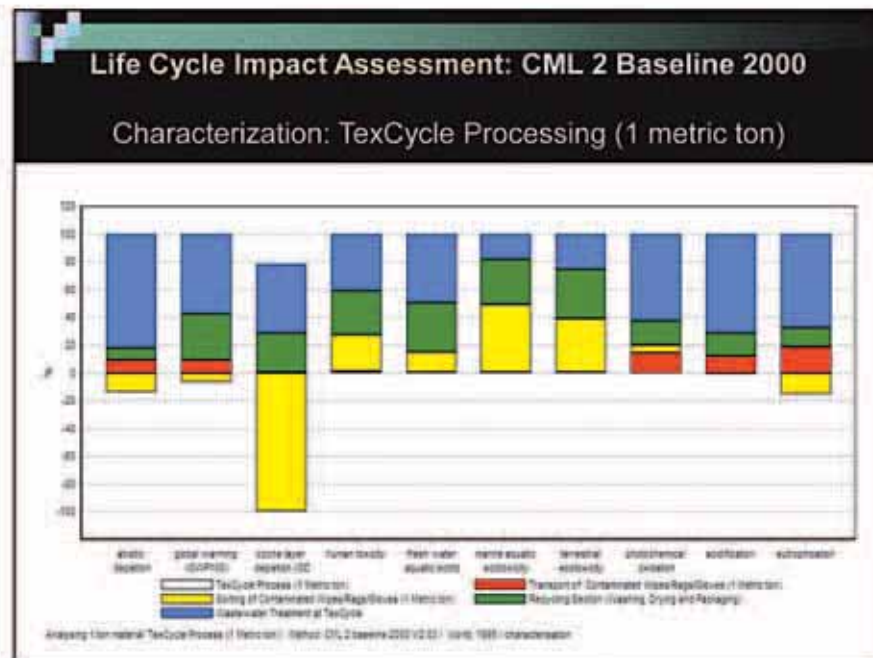
TEX CYCLE SDN. BHD.

❖ KEY IMPACTS

❑ Use of Life Cycle Assessment (LCA) Methodology to Quantify Impacts on the Environment. (cont'd)

The LCA was carried out using the CML 2 Baseline 2000, Eco-Indicator 99, EDIP /UMIP 97. The functional unit taken as 1 Metric Ton of Rags/Wipes/Gloves recycled in one month and the avoided impact of the direct landfill disposal of such input waste material was considered in the analysis.

Below are the LCA graphs with and without the avoided impacts of land filling due to activities of recycling, recovery and reuse.



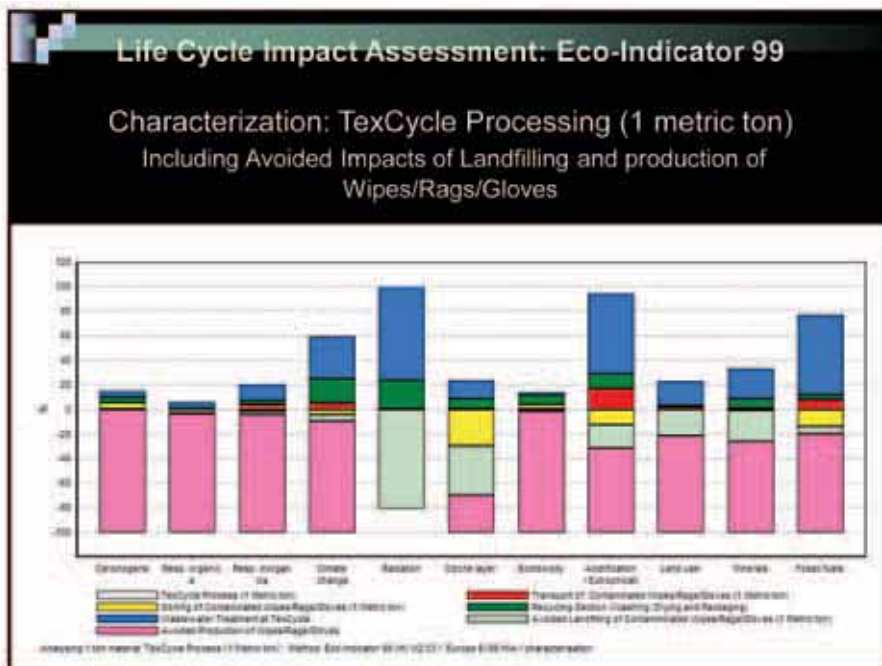
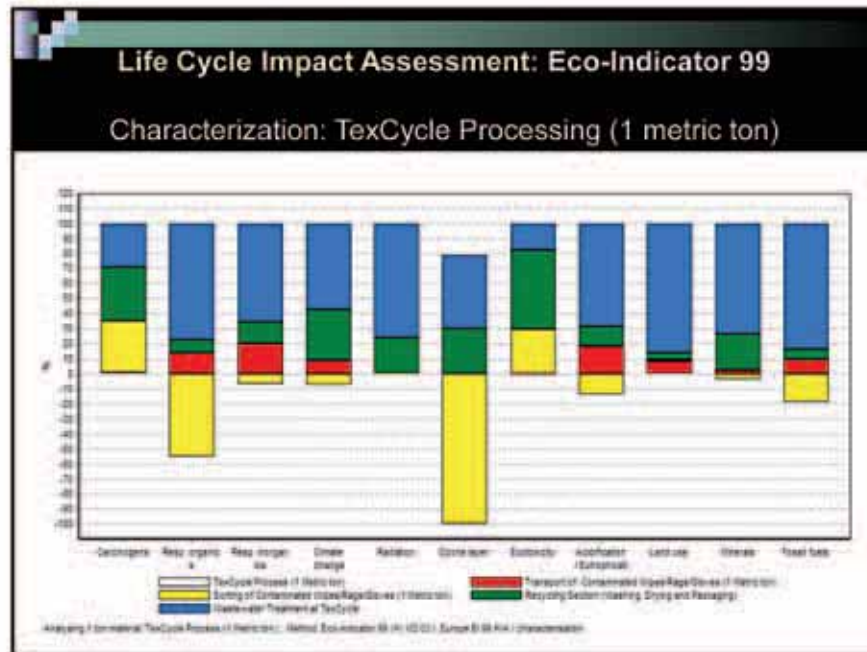
CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ KEY IMPACTS

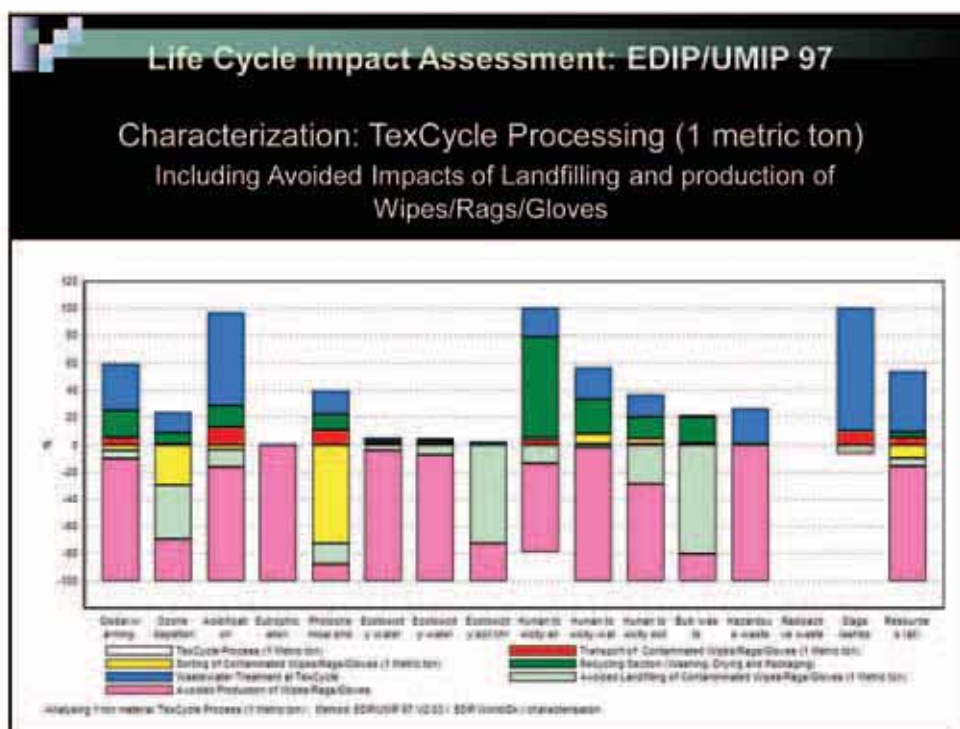
- ❑ Use of Life Cycle Assessment (LCA) Methodology to Quantify Impacts on the Environment. (cont'd)



Annual Report 2007

◆ KEY IMPACTS

- ## ❑ Use of Life Cycle Assessment (LCA) Methodology to Quantify Impacts on the Environment. (cont'd)



The LCA analysis clearly shows the advantage and benefits of recycling, recovering and reuse of the waste.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ KEY IMPACTS

☐ Monitoring and Control Parameters

The responsibility of ensuring quality environment within Tex Cycle is shared by all of the ISO 14001 committee members. Everyone has taken the role of ensuring that no pollution is emitted out of the plant while keeping the environment in the factory healthy and comfortable for work. Staff members are encouraged to complain or communicate to the ESH personal if the working environment is uncomfortable.

In order to monitor the effectiveness of the quality working environment and pollution level, the monitoring procedures according to ISO 14001 guidelines and DOE license are carried out.

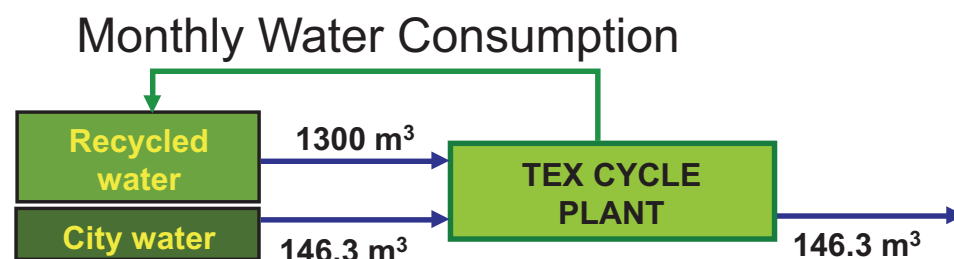
Operational activities required to be monitored according to ISO 14001.

● **Total energy consumption** – Types of energy consumed in Tex Cycle

- i. Electricity
- ii. LPG (Drying)
- iii. Diesel (transportation)

- In Tex Cycle, we are always identifying ways to reduce the energy consumption as part of the company's objective in conserving our resources.
- Solar panels are used to heat the water for washing processes.
- Reduced LPG consumption by increasing drying efficiency i.e. drying similar materials together and planning the production schedule to reduce occurrence of decontaminating half load. Resorting to a new LPG supplier located nearer to Tex Cycle's plant in order to provide better advantages.
- Logistics for the collection and delivery of materials is planned in advance based on the customers' location and need. Each truck is loaded to the maximum and each route is planned.

- **Total water consumption** – The city water consumption in Tex Cycle has been reduced by having the contaminated water from the processes, treated in the WWTP and recycled into production.



'Save Water' campaign is an ongoing project in Tex Cycle whereby we encourage the staffs to reduce wastage of clean water. Staffs are encouraged to save water and additional information is made available on notice board on how to save water within the factory and at home.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

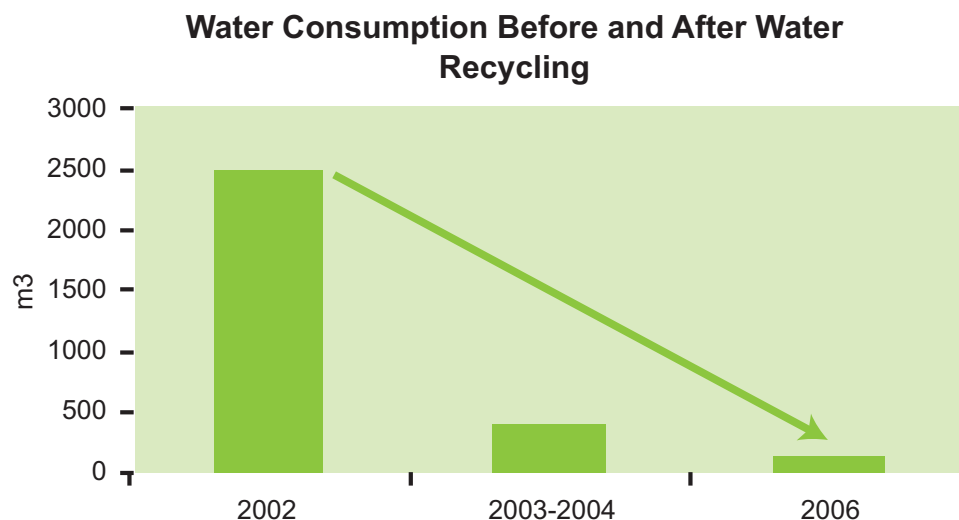
Annual Report 2007

TEX CYCLE SDN. BHD.

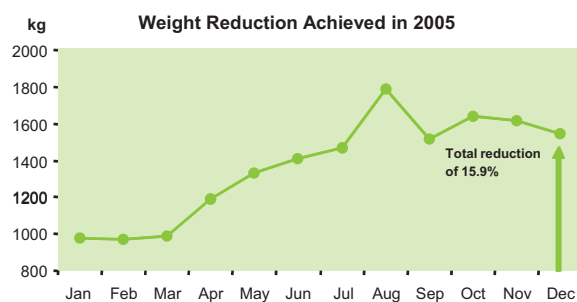
❖ KEY IMPACTS

☐ Monitoring and Control Parameters

● Total water consumption (cont'd)



- **Scheduled waste generated by the factory** – sludge is generated in Tex Cycle from the WWTP. The contaminants are separated from the waste water through chemical reaction. The sludge is then compressed, dried and sent to Kualiti Alam Sdn Bhd for incineration.
- Sludge generated – 18 M Ton / month (average)
- One of the initial and ongoing projects is to reduce the weight of the sludge and the cost to send it to Kualiti Alam. The sludge weight reduction project started in 2004 but we only managed to reduce by 7% of the moisture content. The project achieved its target by end of 2005 by reducing a total of 30% of the moisture.
- Overall the project in using hydrated lime as agent to help the drying process has managed to reduce 0.3% of the overall weight of the sludge produced in 2007 comparatively with the sludge produced in 2006. In terms of saving energy, this process has helped to reduce 9.39% of the electricity in 2007 compared to 2006.



CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

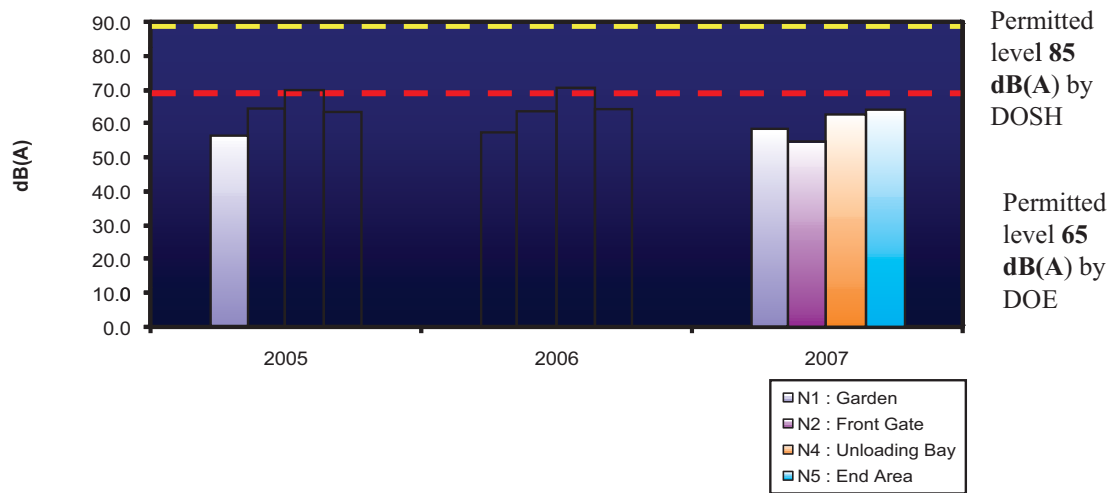
❖ KEY IMPACTS (cont'd)

□ Monitoring and Control Parameters

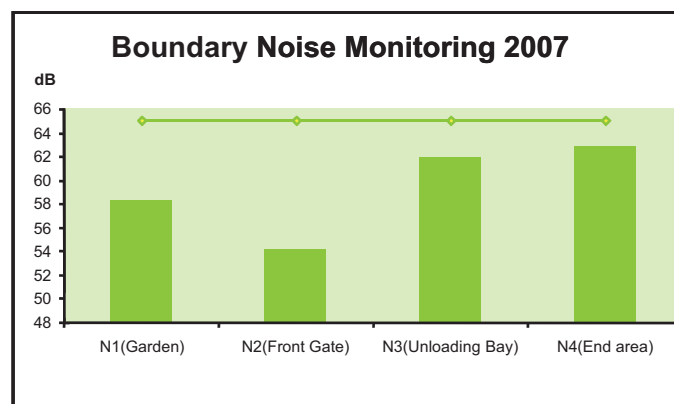
- **Air and noise pollution** – The noise and air monitoring is required by the license issued by DOE. The noise monitoring is carried out yearly while the ambient air is carried out bi yearly.

Noise: The noise sampling points were taken around the plant. Locations N1, N2, N4 & N5 represent four different areas around the building.

Noise Level Comparison from 2005 to 2007



Over the period of three years, N2, located near the WWTP has improved in noise level while N4, located near the unloading bay shows that it has great noise influence from the busy traffic from the public road. But the overall noise level tested in 2007 passed the DOE requirements.



CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ KEY IMPACTS

☐ Monitoring and Control Parameters

● Air and noise pollution (cont'd)

Air:

The air monitoring was carried out in six different locations around the plant. The location points are A1 – A6. The table below shows the summary of data for 3 consecutive years.

2004	A1	A2	A3	A4	A5	A6	Malaysian Ambient Air Quality Guidelines
TSP	114	95	92	107	147	168	260
SO2	0.32	1.17	0.5	2.31	2.56	0.54	350
NO2	20	15	12.5	10.7	14.7	16.7	320

2005	A1	A2	A3	A4	A5	A6	Malaysian Ambient Air Quality Guidelines
TSP	127	37	37	28	27	32	260
SO2	0	0	0	0	0	0	350
NO2	10	17	3	70	53	25	320

2006	A1	A2	A3	A4	A5	A6	Malaysian Ambient Air Quality Guidelines
TSP	163	148	95	109	98	41	260
SO2	16.2	6.4	0	0	0	0	350
NO2	8.7	14.2	8	6.5	10.5	0	320

A1: Recycling Floor
A2: Reaction Tank No.3
A3: Container Washing Area
A4: Drum Storage Area
A5: Rags Storage Area
A6: Garden

Legend: TSP – Total Suspended Particulate. SO2 – Sulphur Dioxide.
NO2 – Nitrogen Dioxide

2004	A1	A2	A3	A4	A5	A6	Malaysian Clean Air Regulation
Hydrogen Chloride	0	0	0	0	0	0	400
Chlorine	0	0.075	0.063	0.032	0.085	0.071	200

2005	A1	A2	A3	A4	A5	A6	Malaysian Clean Air Regulation
Hydrogen Chloride	0	0	0	0	4.806	3.204	400
Chlorine	0	0	0	0	0	0	200

2006	A1	A2	A3	A4	A5	A6	Malaysian Clean Air Regulation
Hydrogen Chloride	5.66	2.23	0.76	2.08	2.92	0	400
Chlorine	0	0	0.001	0	0	0	200

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ KEY IMPACTS

☐ Monitoring and Control Parameters

● Air and noise pollution (cont'd)

The 3 years results indicate the effectiveness of the EMS practiced in Tex Cycle. Staff members are aware of the importance in maintaining a healthy working environment, for the benefits of their own health and increase the confidence of the stakeholders.

2004	A1	A2	A3	A4	A5	A6	Malaysian Clean Air Regulation
Mercury	0	0	0	0	0	0	10
Arsenic	0	0	0	0	0	0	25
Cadmium	0.005	0	0	0	0	0	15
Lead	0	0	0.02	0	0	0	25
Antimony	0	0	0	0	0	0	25
Zinc	0.05	0.01	0.01	0	0	0	100
Copper	0.01	0.01	0.01	0	0	0	100
Hydrogen Fluoride	0	0	0	0	0	0	100

2005	A1	A2	A3	A4	A5	A6	Malaysian Clean Air Regulation
Mercury	0.009	0.004	0	0	0	0	10
Arsenic	0	0.002	0.001	0	0	0	25
Cadmium	0	0	0	0	0	0	15
Lead	0	0.01	0.02	0	0	0	25
Antimony	0.087	0.112	0.067	0	0	0	25
Zinc	0	0	0	0	0	0.007	100
Copper	0	0	0	0	0	0.003	100
Hydrogen Fluoride	0	0	0	0	0	0.001	100

2006	A1	A2	A3	A4	A5	A6	Malaysian Clean Air Regulation
Mercury	0.027	0.04	0	0	0	0	10
Arsenic	0.007	0.006	0.003	0	0.003	0	25
Cadmium	0	0	0	0	0	0	15
Lead	0.086	0.074	2.163	0.033	0.096	0	25
Antimony	0.537	0.244	0.014	1.19	0.079	0	25
Zinc	0.172	0.84	0.295	0.321	0.392	0	100
Copper	0.023	0.125	0.038	0.054	0.063	0	100
Hydrogen Fluoride	0	0	0	0	0	0	100

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

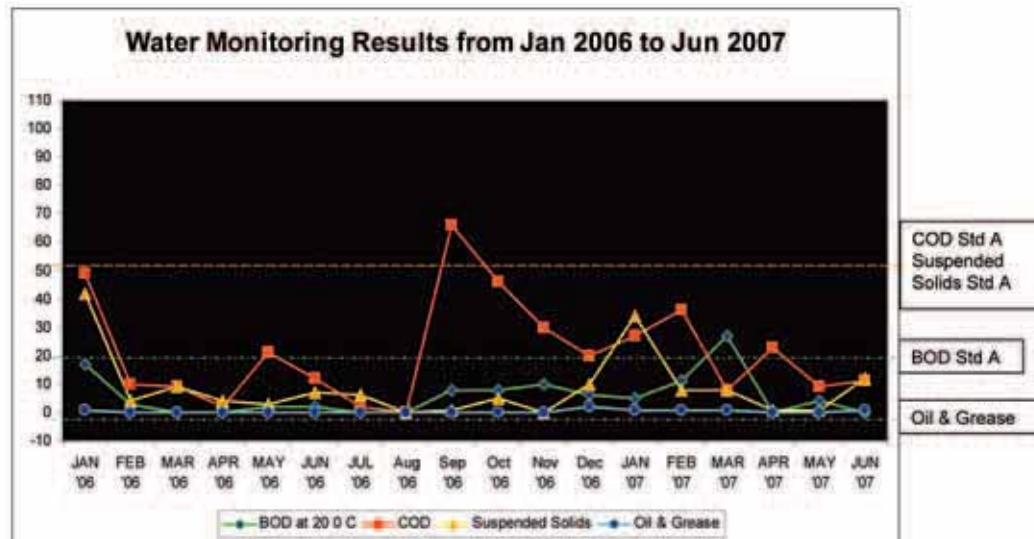
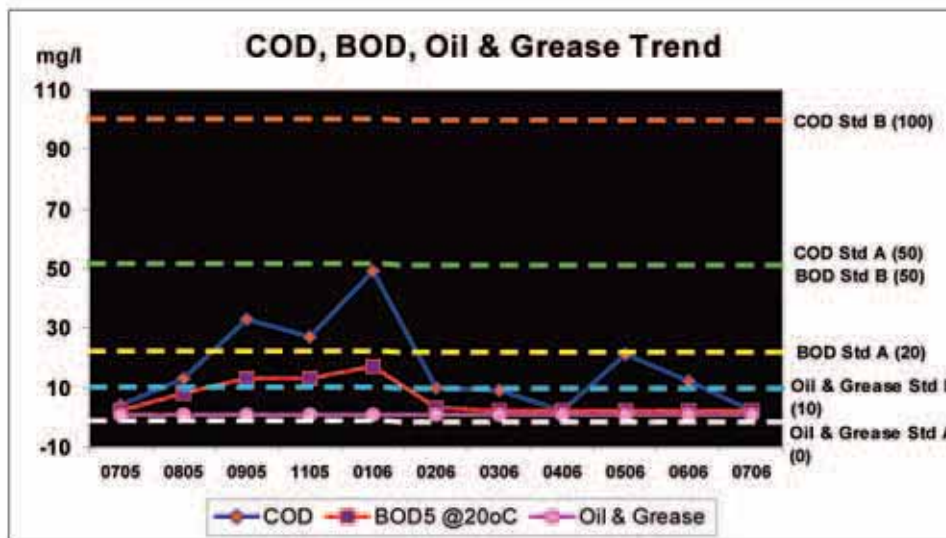
Annual Report 2007

TEX CYCLE SDN. BHD.

❖ KEY IMPACTS

□ Monitoring and Control Parameters

- **Water Pollution** – The treated water from the WWTP is reused in the production processes and therefore no discharge is released into the storm drain. Although we are required to monitor the water quality only once a year, Tex Cycle does it on a monthly basis. Currently, the water quality at Tex Cycle is equivalent to the 'Standard A' requirements.



CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ GOVERNANCE

● Waste as Resource

Tex Cycle has been practicing waste minimization and implements 4Rs (Recycle, Reduce, Reuse, Recover) throughout the processes with the intention of conserving the environment. Only 5% of the total incoming material is generated as waste. 27% of the material received and recovered will be sent for recycling while the rest will be decontaminated and either reused as clean material, returned to the customer or converted into new products for the industry.

The Life Cycle Assessment (LCA) analysis was carried out on Tex Cycle's processes to further determine areas where we can optimise resources, improve energy consumption and reduce emission of pollution. The LCA analysis managed to provide the insight to the following:

- To provide a complete picture of how Tex Cycle's activities interact with the environment
- To identify major environmental impacts of a process and the hot spot emissions contributing to these impacts.
- To identify inefficient processes and improve the system in order to minimize waste.
- To compare the environmental benefits and setbacks of Tex Cycle products and services.
- To contribute to the understanding of the overall consequences of our activities, decision and choices.
- To obtain information for environmental performance improvements.

● Environmental Reporting

The environmental reporting for Tex Cycle is available to the public and can be obtained through these various means

● Brochures

Tex Cycles brochures contain information about the services, products, environmental objectives and activities carried out by Tex Cycle. These brochures can be obtained from Tex Cycle's office and is distributed to customers by the marketing department.

● Exhibition

Tex Cycle participates in road-shows organized by DOE and environmental awareness exhibitions organized by customers at their premises. The exhibition booth provides information on processes, services, products, environmental policy and activities and also community projects carried out by Tex Cycle. Through these exhibitions, Tex Cycle brochures will be made available for distribution to interested participants.

● Website

Tex Cycle's website contains more information on company's activities, products, community services and recent events at Tex Cycle. (www.texcycle.com.my)

● Sustainability Report (Environmental Report)

Tex Cycle started its first Environmental Report in 2006 and this report is available to the stakeholders upon request. The report will be produced annually and will be incorporated into the Annual Report. The Environmental Report follows the ACCA guidelines and explains the activities and governance of Tex Cycle as a corporate organization living up to its commitment towards the environmental policy.

● Annual Report

The annual report summarises the Corporate Social Responsibility (CSR) activities in Tex Cycle together with the Financial Report. The summary contains the environmental activities and financial statements for the year. The report is distributed to all shareholders.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ GOVERNANCE

● Waste as Innovation

Tex Cycle provides the service in removing contaminants from the soiled materials so that the materials can be reused. Clean damaged materials can also be converted into safe recyclable products, fit for reuse.

The facility in Tex Cycle is designed to handle the logistics, storage and processes involved in scheduled waste management. Besides running a recovery facility for rags, wipes, gloves and containers, Tex Cycle also provide the solution to minimize the cost of purchasing and disposing of rags and wipes.

TC wipes are designed with 100% cotton, durability and has the ability to absorb grease and oil. The TC wipes were introduced to assist industries to manage the purchasing cost of rags and wipes and the disposal cost of these contaminated materials.

● TC Wipes and Benefits

- Reusable with minimum environmental impact, aligned with most company's environmental goals.
- Requires minimum handling and reduces liaising with contractors on purchasing and disposing of the contaminated materials.
- Cost reduction on inventory – comparison between conventional non-reusable rags against Tex Cycle reusable wipes.

Comparison	Conventional Rags	Tex Cycle Wipes
Assume 1 worker uses 10 pcs of rags / day		
6 days	60 pcs	60 pcs
26 days	260 pcs	120 pcs*
8 months**	2080 pcs	120 pcs
Quality	Mixture of synthetic material-non-biodegradable	100% cotton biodegradable

• 60pcs weekly exchange=120pcs in-use / month
**Tex Cycle wipes will last 8 months=120pcs

● Types of Tex Cycle Reusable Wipes



TC Sewn-Pads



TC wipes

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ GOVERNANCE

- **Waste as Innovation (cont'd)**
- **TC Soak-Ups (Absorbent material used in spillage kit)**

Clean damaged gloves/rags/wipes which are not suitable for industry use will be converted into absorbent kit. These absorbent materials are highly recommended due to its clean production concept. The absorbents are reusable, economical and have minimum environmental impact.



Service provided with the purchase of Tex Cycle Soak-Ups. Free training on procedures of handling a chemical spill situation and how to use the Tex Cycle spillage kit.



Spillage Mock Drill at Customer Premise with Tex Cycle staffs

❖ SUSTAINABILITY RELATED POLICIES

● **Process of Checking and Review**

Tex Cycle encourages audits and visits from customers and DOE officers because it encourages the staff to understand their own company's EMS, verifies our monitoring plan and effectiveness and in return, helps to highlight to our customers and DOE officers on the difficulties we encounter.

Besides having official audits such as SIRIM's annual certification of ISO14001 and DOE on the licenses, Tex Cycle also carries out annual internal audit to check through the effectiveness of the monitoring practices.

The audits will look into all operations and activities relating to Tex Cycle's EMS that contributes significant impact on the environment. Non conformance and observation received from these audits will be reviewed in the Environmental Management Review meeting. The meeting is attended by the ISO 14001 committee, the MD and representative from every department, management as well as staffs. It is important for all employees to understand the outcome of these audits, whether good or bad.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ SUSTAINABILITY RELATED POLICIES

● Checking/Review system:

- Customer audits/visits
- Official audits from SIRIM / DOE / DOSH / BOMBA / Clients
- Internal Audits by certified auditors in Tex Cycle
- EiMAS new DOE Officers field case study on industrial waste management in Tex Cycle.
- Risk Management audit (3rd party audit)
- International visits by environmental officers from ASEAN countries and OIC, JEMA and JEITA.
- Reviewing Environmental Policy annually in the Management Review Meeting

These audits and visits help to provide a strong foundation to the staff in managing the environmental practice on the operations and affirm the practices being carried out. Furthermore, the staffs are given the opportunity to interact with other stakeholders which helps to exchange ideas and ways to improve the environmental practices and at the same time educate the stakeholders on the importance of scheduled waste management.

Customer Audits



EiMAS New DOE Officers Visits



CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ SUSTAINABILITY RELATED POLICIES

- Checking/Review System (cont'd)

Visit by The Japan Eleectrical Manufacturers' Association (JEMA) and Japan Electronics and Information Technology Industries Association (JEITA)



*Visit by Malaysia Technical Environmental Programme (MTCP):
Environmental Management and Pollution Control (ASEAN officers)*

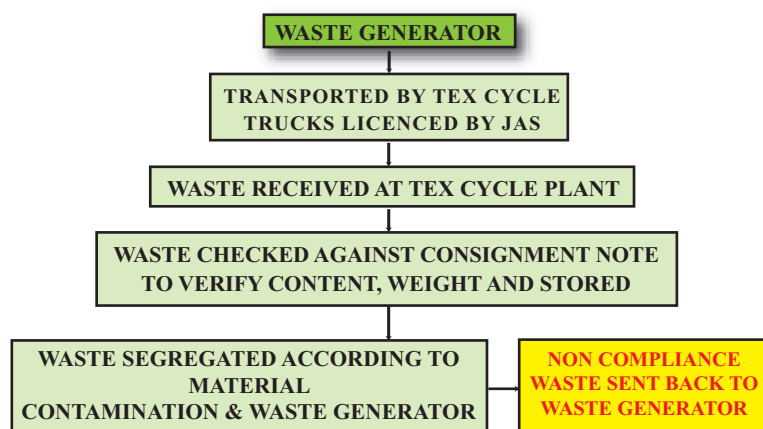


CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ MANAGEMENT SYSTEM AND PROCEDURES



Tex Cycle Environmental Policy

• Non- Conformance

The non-conformance will be issued when a practice is not followed and leads to an environment impact risk or endangers the health and safety of the staff. The relevant head or recipient of the non-conformance takes the necessary course of action and submits the action plan schedule on the agreeable time to complete the corrective and preventive action.

The Environment Committee ensures that immediate action is taken by the personnel to investigate the cause of the non-conformance. The cause shall be clarified and corrective measure carried out. The report shall be approved by the EMR and the MD. Preventive measures stated in the report shall be implemented accordingly. The corrective action taken must be clear, well defined and adequate to address the non-conformance.

Counter measure must minimize or eliminate the reoccurrence of the non-conformance in the Environmental Management System. The initiator of the non-conformance shall review the counter measure and make verification of the corrective action taken in terms of documentation or implementation.

Follow-up on the status of the non-conformance is carried out by the audit team members who issued the non-conformance. If the corrective action proposed has been implemented with satisfactory result and duly verified by the initiator of the non-conformance, the non-conformance would be closed. If the non-conformance is due to the weakness in the Environmental Management System, the system shall be revised accordingly after the discussion and evaluation during Environment Committee meeting.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ MANAGEMENT SYSTEM AND PROCEDURES

● Managing Environmental Emergencies

- Tex Cycle environmental impact risks are identified as;
- fire and explosion due to the contaminated rags/wipes/gloves which contain solvent,
- land and water contamination from chemical spillage or contaminated water spillage from the processes,
- land and water contamination due to the spillage of waste during transportation,
- explosion from gas leakage

These potential environmental emergencies have been identified and appropriate procedures and environmental operating instructions are in place to ensure fast and effective response to the emergency situation. The production staff and drivers are trained on the standard operating procedures for these emergency situations and also carry out emergency mock drills.

The ERT members meet occasionally to discuss on ways to improve the safety situation in the organization and they are reminded on the specific duties during an emergency. The ERT team members will also provide feedback on the emergency drills carried out and together as team, will try to improve the emergency drills in the following year.

The emergency route plan with safety indications on the map such as first aid boxes, fire extinguisher, emergency route, spillage kit, eye wash and etc are placed around the plant and in every department for the staff reference. The emergency numbers to call in an emergency are communicated to all staff especially ERT members and are placed in each department's notice board. Customers and contractors are also briefed on the emergency route and plan before entering into the production floor.

The staff also have the opportunity to train with our customers on the cross training program on emergency spillage exercise. Tex Cycle staff will be able to cross examine the experience and knowledge they have gained from their own trainings.

Mock Spillage Exercise at Customer's Premise



Mock Spillage Exercise with Customer and Tex Cycles' Staff at Tex Cycle Premise

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ MANAGEMENT SYSTEM AND PROCEDURES

- Safety Week 2007
- *Fire safety tips, cause of fire, types of fire extinguishers & practical training by BOMBA*



- *HICOM training on maintenance of trucks and tips on driving safely*



CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ MANAGEMENT SYSTEM AND PROCEDURES

- Safety Week 2007 (cont'd)
- *LPG safety briefing on leakage, action and nature of gas.*



- *ST. JOHN'S training on First Aid, CPR, bleeding, fracture, shock, responsibility, do's and don'ts of a first aider.*



CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

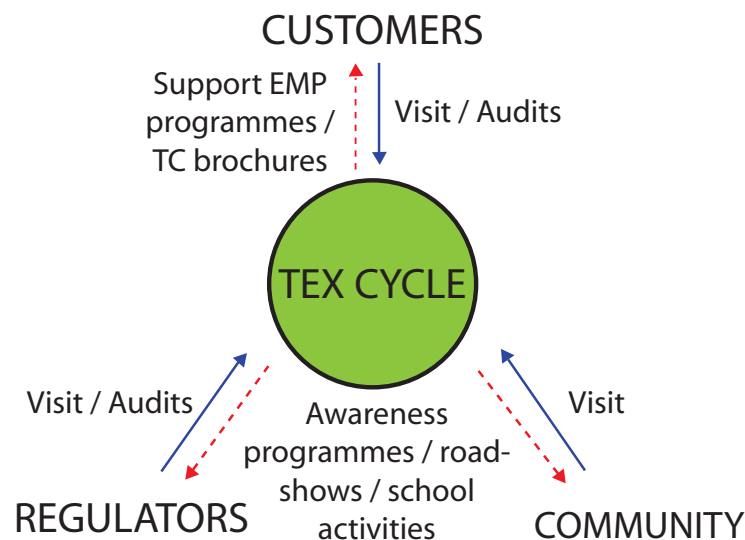
Annual Report 2007

TEX CYCLE SDN. BHD.

❖ STAKEHOLDER ENGAGEMENT

● Waste as Communication

Communication of Product/Service Information - Tex Cycle encourages the participation of our stakeholders in Tex Cycle environmental activities. The activities are regarded as communication between Tex Cycle and the community, regulators and customers.



- **Customers** – New customers are welcomed to visit Tex Cycle process and experience the methodology flow of the recycling and recovery of scheduled waste management available in Tex Cycle. Confirmed customers are also taken to the line for inspection on the conformance of the recycling and recovery of scheduled waste, as stated in the documents. Customers have the experience to view the recycling and recovery process and understand the difficulties faced by Tex Cycle's staffs if the scheduled wastes from waste generators are not managed appropriately.

Customers are also given brochures explaining the activities carried out by Tex Cycle. The brochures contain information on the products and services, environmental programmes and further information regarding scheduled waste management and regulations.

Tex Cycle also carries out joint activities with customers in order to achieve the customers' EMP projects. Such activities promote environmental awareness among the customers' staffs and provide the opportunity for Tex Cycle to share its services and products information. Some of these events require Tex Cycle's booth to be displayed. The customers, contractors and suppliers also have the opportunity to understand the process of recycling and recovery of scheduled waste.

- **Community** – The environmental programmes prepared by Tex Cycle encourages the community especially students to practice 4Rs in schools and at home. Tex Cycle's conference room is able to accommodate a group of 60 people and is equipped with training facilities. Students from schools are exposed to the different types of recycling methods available in Malaysia and the difference between solid waste and scheduled waste. Besides that, students also learn facts about landfill, the waste ratio generated by Malaysian and the importance of conserving water.

Occasionally, we receive groups from societies and clubs such as Rotary Club on environmental awareness visit. Adult groups are given an informative presentation on the processes, services, products and activities carried out at Tex Cycle. Finally, the group is taken to the production floor and the processes are explained in detail. Usually, the awareness programme ends with a question and answer session.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ STAKEHOLDER ENGAGEMENT

● Waste as Communication (cont'd)

- **Regulators** – Similar to customer's visit and audits, regulators from DOE, DOSH and other governing bodies also visit Tex Cycle. Occasionally Tex Cycle facility is used as a learning ground for new officers on the recycling and recovery process for scheduled waste. The visit and audits help Tex Cycle management to improve the facility while the regulators are given the opportunity to understand the services and products generated in Tex Cycle.

Besides supporting regulatory bodies on the environmental road-shows / environmental week, Tex Cycle also co-sponsor with DOE in organising environmental awareness camp for students. The students have the opportunity to learn different environment biodiversities, differences between scheduled waste and solid waste and the 4Rs.

Tex Cycle is a member of ENSEARCH and ANSWERS which provides the opportunity for the scheduled waste contractors to interact with the regulatory agents. ANSWERS helps to communicate to the regulators on the issues faced by the scheduled waste contractors.

Tex Cycle has been selected for the venue for international visits by the regulatory bodies. The programme encourages the exchange of knowledge on the technologies used in recycling and recovery of scheduled waste. Many international visitors are impressed with the facility and creativeness on products generated in Tex Cycle.

● Employee Participation

Tex Cycle acknowledges the importance of their employees and its stakeholders. Thus, they should be made aware of the importance of environmental policy and objectives. In order to achieve this successfully, employees are informed on the meaning of the environmental policy, importance of the objectives and the purpose of the activities carried out at Tex Cycle which prevents pollution and minimize waste.

New employees are trained during the induction programme on the company's environmental policy, environmental communication activities and importance of recycling and recovering scheduled waste. Training is carried out on a continuous basis which helps to clear doubts and encourages staff to participate in the activities in Tex Cycle.

Management level staffs are also often seen on the production line during office hours, not because of quality issues but rather conversing with the staff. Letting the staff understand the importance of the recovery and recycling process further encourages the staff to ensure that the objectives of Tex Cycle are achieved. Seeing the management involved directly in the process increases the transparency between management and staff and thus, provides confidence and trust to the staffs in supporting the company's environmental policy.

The activities in Tex Cycle are participated by all including the managerial level. Management staffs do not exclude themselves from these activities but rather participate in them.

● Employee Reward and Recognition

Tex Cycle practices staff development by improving the skills of the staff through training, appreciation in the form of awards and encourages family oriented events. The staffs will be evaluated on a yearly basis and everyone is given the opportunity to participate in the trainings, based on the assessment from their supervisors depending on their skills and experiences. The family members are also given the opportunity to participate in Tex Cycle's activities and learn to practice the 4Rs through events in the Family/Recycling Day and Annual Dinner.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ STAKEHOLDER ENGAGEMENT

● Waste as Communication

● Employee Reward and Recognition (cont'd)

- Rewards and recognition for employees:
- Employee of the quarter / Employee of the year
- Company's share distribution when it was first public listed on Bursa Saham
- Competition regarding Environmental, Safety and Health issues learned in the internal trainings.
- Award given to the section/area which complies to the audit checklist
- Family Day gathering and activities / Recycling Day / Safety Week
- Competition and activities which involve staff members and their family, therefore making their family part of the community in Tex Cycle.
- Annual dinner / Company trip
- Promotions / bonus
- Incentives for full attendance
- Recognition to staffs with long service

● Employee Environmental-Related Training

New staff – New staff are given basic orientation training on Tex Cycle Environmental Policy, Environmental Management System practices in Tex Cycle, definition of scheduled waste, the waste codes accepted by Tex Cycle, process flow for the production, fire emergency route, the importance of PPE, how to use the PPE appropriately and the role of ESH in Tex Cycle. Once they are aware of the basic orientation training, they will join the confirmed staff on the other training programmes.

Production / WWTP staffs– Production staff will be trained on the importance of using PPE in the working area, safety and environmental requirements in their area, packaging and labelling according to the Packaging & Labelling Requirement 1997, relevant standard operation procedures (SOP) which are work related, pollution prevention and housekeeping, recycling tips, chemical handling, activities which are related to the company's EMP target, the use of Material safety Data Sheet (MSDS) and LPG gas leaking emergency drill and action needed to detect leakage.

Drivers – Drivers are trained on the importance of using PPE in the working area and customers site, safety and environmental requirements, labelling according to the Packaging & Labelling Requirement 1997, relevant standard operation procedures (SOP) which are work related, chemical handling, activities which are related to the company's EMP target, the use of Material safety Data Sheet (MSDS) and customers' environmental and safety requirements.

Admin staff – Admin staff will be trained on the company's safety and environmental requirements, housekeeping, recycling tips and energy saving techniques in the office.

All floor staff will be trained on emergency drill such as chemical spillage, fire evacuation drill and use of fire extinguisher.



External training:



External training:

- Chemical handling badge by NIOSH for the drivers
- Gas leaking check and safety measures by the gas supplier to the production staff
- Chemical handling and safety requirements by CCM for the production staff (WWTP/Logistic/Marketing)
- Customer's safety and environmental training and requirements are held at the customers' site.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ STAKEHOLDER ENGAGEMENT

- **Waste as Communication**
- **Communication of Environmental-Related Information**

Environmental and any important related issues such as health and safety related matters are communicated to all the staff in various manners which have been practiced in Tex Cycle.

Meetings – Environmental Management Review meeting is represented by all level of staffs, from every department in the plant. The meeting is chaired by Tex Cycle's Managing Director. The meeting is held once in every two or three months and will discuss issues related to customer's audit results, environmental, health and safety issues. Representatives from the departments will then communicate the issues discussed to the other members of the department. Important matters are communicated directly to staff.

Notice Board – Official notice board is located next to the employee's clock-in area. Important notices from the management and ESH are placed on this board.

Another notice board which is located in the cafeteria provides environmental, health and safety (ESH) information to the staff such as tips on conserving water in the office and at home, relevant posters from NGOs and DOE, etc. Staff members are encouraged to share important issues regarding ESH to the other staff by placing the information on the notice board.

Every department has a notice board containing useful working information such as related SOP to the department, emergency numbers, Tex Cycle Environmental policy, MSDS, waste code and relevant EMS information. These notice boards are updated by the supervisors or ESH on matters relating to documents or procedures after communicating to the staffs during meetings.

Recycling and WWTP Department Notice Board



Memo – Initially, printed memos are circulated but with the internal email system, our stakeholders are informed through online memos.

Activities – Tex Cycle believes that the environmental messages shared in the organization is unsuccessful without the commitment of the staff and the support of their family members. Environmental based activities are incorporated together with the Family Day for all staff, such as Recycling Day and Annual Dinner. By practicing the environmental messages shared in Tex Cycle through these activities, staff members will have a better understanding on the EMS implemented in Tex Cycle.

Management Support – In order to achieve successful EMS activities in Tex Cycle, management also participates in environmental training and activities organised. The Managing Director and the Chairman of Tex Cycle usually takes the initiative in promoting the environmental messages by communicating to the staff in the production line.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ STAKEHOLDER ENGAGEMENT

- **Waste as Communication**
- **Communication of Environmental-Related Information (cont'd)**

The following activities have been implemented in Tex Cycle where all staffs participate in resource conservation activities:

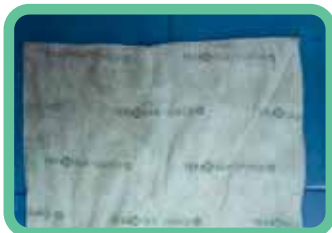
- Prudent usage of bio-degradable plastic bags
- Making of Tex Cycle Soak-Ups from recycled materials
- Making shoe covers from recycled materials
- Making floor mats from recycled materials
- Creation of artificial flowers from waste paper
- Creating new products from unwanted domestic waste



Encouraging innovation at TC



Flowers from waste paper by TC staff



TC Floor Mat and Soak-Up



Innovative products from waste

Contractors and suppliers who have their own environmental management system are preferred but in SMI, it may not always be the case. Therefore, Tex Cycle tries to spread the environmental message practiced to all our contractors and suppliers.

- New contractors are required to sit through a briefing presented by Tex Cycle ESH staff on the following: -
- Tex Cycle's Environmental policy
- Regulations for Vendors and Contractors
- Fire Emergency Response Procedures
- Emergency Route
- Scheduled Waste Code and Warning Labels
- Tex Cycle Recycling and Waste Minimisation Policy
- Environmental Legal Requirements
- Competent and Qualified to perform (dealing with scheduled waste)

All current contractors and suppliers are required to attend Tex Cycle's annual briefing on contractor's safety and a refresher on the environmental policy and requirements. The contractors and suppliers are required to sign and acknowledge the training received and therefore, ensuring them to abide by requirements of Tex Cycle.

The practices on recycling, waste minimization and pollution control carried out in Tex Cycle is another living testimony of Tex Cycle's environmental message. We at Tex Cycle, encourage the contractors and suppliers to implement their own environmental management system.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ STAKEHOLDER ENGAGEMENT

- **Waste as Communication**
- **Supplier and Contractor Development**

Practice

Tex Cycle provides an example of environmental management system through the activities carried out and also by providing the environmental policy, training materials and available practices in the Contractor Safety Briefing. Contractors and suppliers are always encouraged to seek assistance from the management staff for technical information.

Knowledge sharing

Contractors and suppliers are required to attend annual training at Tex Cycle on issues such as environmental impact, handling and safety procedures for the material/product supplied to Tex Cycle, etc. Contractors and suppliers are also encouraged to interact with the engineers on the quality of the material/product supplied to Tex Cycle thus providing valuable feedbacks to them on the impact of these materials to the environment.

Cooperation

Samples of new material/product from the contractor or supplier are tested in the lab in Tex Cycle before finally using it in the production. The lab results will determine whether the new material/product will improve or worsen the environmental impact on Tex Cycle's processes.



*Briefing of
Air/Noise/Water
Monitoring Result on
working condition in Tex
Cycle by monitoring
Contractor, A&A
Laboratory*

- **Community Awareness**

The woes and worries of domestic waste are often heard in the news but little is known on the impact and importance of scheduled waste. Almost 80% of the hub of industries in Malaysia comprises of Small Medium Industries (SMI). These SMIs take little or no action on industrial waste management but rather depend on the enforcement of the Department of Environment to direct the industries to dispose the waste accordingly. What is alarming is that 40% of the total waste generated consists of industrial waste while the remaining 60% are domestic waste. The chances of obtaining valuable material from domestic waste for recycling is higher compared to industrial waste due to the nature of contamination from the industries.

Disposal of industrial wastes currently practiced in Malaysia for majority industries are through incineration on landfill. The process of incineration and disposing to secured landfill is extremely expensive, inefficient and usually the last alternative in the hierarchy of waste management. Furthermore, disposing incinerated waste into secured landfill will only increase the burden of managing the number of landfills in Malaysia. Since the disposal cost of industrial waste is expensive and non beneficial to the industries, many rural areas with little supervision are favourite spots for illegal disposal of industrial wastes. This illegal practice is preferred probably because it's cheaper and the lack of awareness among the industries or non- direction in managing industrial waste. Besides incineration, waste contractors in Malaysia are also providing competitive alternatives to the waste generators by reducing, recycling, recovering and reusing these industrial wastes.

Tex Cycle has embarked on a journey ever since by supporting schools and DOE's (Department of Environment) road shows on environmental awareness. Tex Cycle has committed its resources on highlighting to the industries and community on the importance of managing industrial waste. If industrial waste is not identified, treated lightly or mistaken as solid waste, the impact toward the environment will be drastic as the effects will only surface after a number of years. Not to mention contaminating ground water and fertile land, the cost to remove these contaminants will cost the Government a hefty sum.

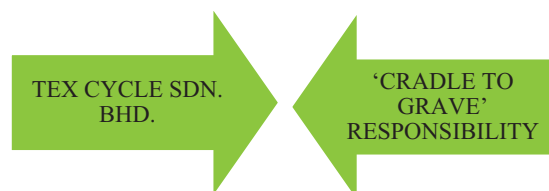
CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ STAKEHOLDER ENGAGEMENT

- Waste as Communication
- Environmental Activities for the Community



Services

Global Positioning System (GPS) is installed in all Tex Cycle's trucks therefore providing assurance to community and enforcement officers on the location and logistic of the scheduled waste. It provides higher esteem and integrity to the scheduled waste management industry and an accountability of the 'cradle to grave' system for the waste contractors.

Trained Personnel

Tex Cycle staffs are trained internally on the standard operating procedures to handle emergency situation such as chemical spillage. They are also exposed to cross training with customers on mock emergency exercises. The training will be carried out either at Tex Cycle's premises or at the customer's site. These trainings help provide an opportunity for Tex Cycle's staff to access their own knowledge against customer's method of training.



Training development for the staff

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ PERFORMANCE AND COMPLIANCE

- Waste as Communication
- Environmental Activities for the Community (cont'd)

School Programmes

Tex Cycle encourages students especially from higher secondary school to visit and participate in Tex Cycle's School Environmental programmes. Tex Cycle has prepared a couple of educational programmes which can be adapted for school's field activity on environmental awareness. Students will have the opportunity to understand the process of scheduled waste recycling and recovery, hands-on JAR test in the wastewater area, hands-on group activities on creating new products from household waste, understand the benefits and initiate 4R programmes in their own school.



*Training provided to students
on Environmental Issues*



*Environmental visit
from SMK Desa Perdana*

If a school displays interest in having a green area within its premises, Tex Cycle will be honoured to provide consultations and sponsor projects on condition that the project is carried out by the students themselves. Working gloves are also provided to the students by Tex Cycle. These gloves are clean cotton gloves which are no longer needed by the industry. After use, the gloves will be collected and returned to Tex Cycle for cleaning and reuse.



Example of Green Area Sponsored by Tex Cycle



CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ PERFORMANCE AND COMPLIANCE

- Waste as Communication
- Environmental Activities for the Community (cont'd)

Community Awareness



Tex Cycle also welcomes participating community members which are keen on environmental awareness programmes. The programmes are divided between adults and students. Adult groups are given a detailed presentation on the history, processes and relevant information on Tex Cycle, followed by a plant tour and finally, a Q&A session. The programme provides an alternative perspective on the concept of recycling and awareness towards scheduled waste management. The message in this programme is to encourage community to be responsible for their own environmental health and should not always depend on the Government for enforcement.

National Service



Tex Cycle was again one of the host for the 2007 National Service trainees on environmental programme. The presentation presented was similar to the ones for students with additional line tour and hands-on experience on JAR test at the wastewater treatment plant.

Local University



Tex Cycle supports the universities by providing research funds and required information for the research related with the industry and also accepts final year students for internship.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

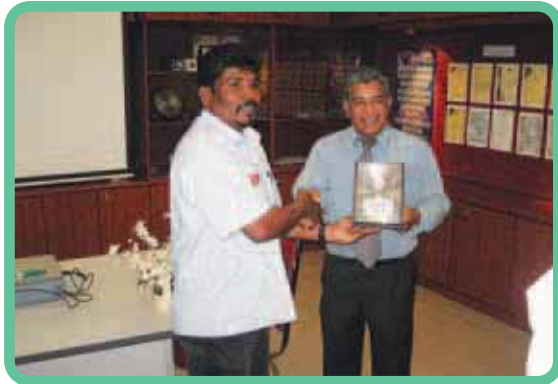
Annual Report 2007

TEX CYCLE SDN. BHD.

❖ PERFORMANCE AND COMPLIANCE

- Waste as Communication
- Environmental Activities for the Community (cont'd)

Customer EMP



We support customers' EMS, ISO14001 certification and environmental programme by assisting customers with their regulation and compliance issues regarding contaminated rags/wipes/gloves and containers, recycling and environmental awareness campaign.

DOE



Tex Cycle has participated in the Selangor State and National Environmental week (MASM) exhibition, bringing scheduled waste management awareness to community within Selangor and the whole of Peninsular Malaysia. Tex Cycle collaborated with Selangor DOE in bringing environmental awareness to the youths by co-organizing an environmental camp during the state environmental week.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ TARGET AND ACHIEVEMENT

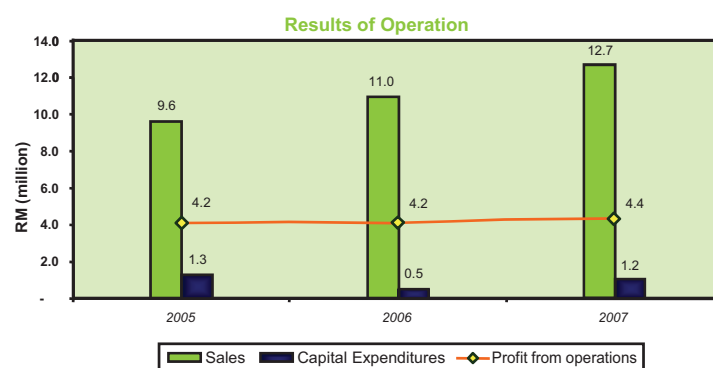
● Incorporate Environmental Accounting Into Cost and Investment Consideration

The investment on the plant is part of the investment towards pollution control and conservation of our natural resources. Over the years, the investment towards the facility in Puchong has increased for the benefits of both the environment and surrounding community.

Environmental Classifications	2007 RM	2006 RM	2005 RM	Remarks
Disposal of waste and sludge	777,057	667,446	409,798	Disposed scheduled waste according to EQ by sending to Kualiti Alam
Community program	28,151	13,048	600	Continued effort in increasing community awareness towards Environment
Repair and maintenance for WWTP and other machineries	306,420	337,169	163,494	Ensuring that the machines in Tex Cycle are efficient and do not emit excessive pollution.
Environmental monitoring costs	12,820	27,920	24,249	To monitor the impacts according to DOE license

The management ensures that the facilities in Tex Cycle complies with the authority and observe the requirements by the stakeholders.

Tex Cycle's open policy, whereby customers and regulators are welcomed to witness the recycling and recovery processes in Tex Cycle have increased the trust and confidence of our stakeholders. The benefits of complying with the environmental law are clearly seen through the increase in revenue.



The profit gained in Tex Cycle is through the recycling and recovery activities and the decontamination service provided by Tex Cycle. Tex Cycle invests in R&D and invested in a lab at Tex Cycle to further expand this area of interest.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

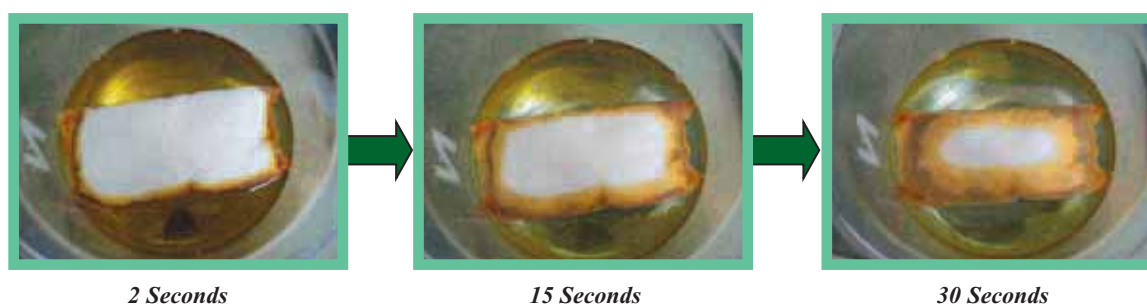
❖ TARGET AND ACHIEVEMENT

● R&D Involvement Towards Environmental Innovation

Tex Cycle main aim is to minimize the amount of waste disposed from the plant. Research and development is exploited to generate useful products from waste.

● Oil Absorbents

Damaged cotton materials such as rags and gloves are separated into fibres, processed and convert into absorbents. These fibre absorbents are designed to absorb oil on water and maintain its buoyancy throughout the process of cleaning up. This new product will be marketed to cater oil spills on rivers, lakes and seas.



In order to minimize the amount of sludge being sent for incineration, the next R&D was carried out on the sludge generated from the wastewater treatment plant. The sludge is processed and displays oil absorbing characteristic. The sludge will be ideal to absorb oil spillage on land and will harden into a solid form. Research is still being carried out to find methods to find the best alternatives to convert the harden sludge as a secondary fuel similar to coal.



CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ TARGET AND ACHIEVEMENT

• R&D Involvement Towards Environmental Innovation (cont'd)

• Soil Conditioner

Analysis carried out by a certified independent lab implies that the sludge generated by Tex Cycle wastewater treatment plant does not contain high level of toxicity and can be disposed at municipal landfill.

Analysis from University of Sarawak has also showed that the sludge contains high amount of carbon which is suitable to support plant growth. The current process of disposing the sludge is through incineration and dumped at secured landfills. Incinerating the sludge consumes high amount of energy and contributes no benefit to the environment.

The nutrients in the sludge through analysis show that it has potential in supporting plant growth and overall improves the soil structure and workability. Organic matter also provides the advantages of water retention, permits easier root penetration and reduce the risk of water runoff from soil surface. According to research carried out by student from University Malaysia Sarawak on Tex Cycle's sludge, the organic matter in the sludge recorded an average of 70% in total mass. Eventually, the organic matter in sludge will be decomposed into stable humic compounds.

The pH recorded from test carried out on the sludge is at an average of 5-6 pH. Slightly acidic sludge means better condition for the development of bacteria and fungi. The average Total Kjeldahl Nitrogen (TKN) and Total Phosphorus (TP) measured in the sludge samples are 0.14% and 173.8ppm. Nitrogen and phosphorus are important source of nutrients for plant development. Furthermore, the content of N and P in the sludge is in organic form.

The distribution of the sludge particles contain high amount of particles similar to silt. Silt has the benefits of both sand and clay and the size of silt distribution is smaller than sand but larger than clay, therefore providing good water retention properties for the plants. At present, evaluation is still being carried out to monitor the development of the test on plants. The current evaluation uses 90% soil mix with 10% sludge.

❖ EXTERNAL ASSURANCE

Tex Cycle does not restrict itself financially or its resources when it comes to community awareness but gives its best in providing education programmes for both adult and students. It is a difficult task in organizing such events with limited resources and accepting a larger group.

The management foresees the importance of education and awareness and built a conference room which can accommodate 60 people in the new wing of the building. It was part of the expansion programme for the company.

Most of the participants who come to Tex Cycle tend to carry the mindset that Tex Cycle is a large launderette due the existence of large numbers of industrial washing machine and collection of contaminated wipes, rags and gloves in the main production area. They assume that these contaminated rags, gloves and wipes are washed similar to household laundry system but in a larger scale. Therefore, the awareness programmes is specially arranged to change these mindsets by providing a line tour, explaining the process in detail and the importance of a wastewater treatment and the dangers of these contaminated materials. Depending on the crowd, the questions varies from technical questions to very basic question but through these question and answer sessions, the participants are able to comprehend a better understanding on the importance of the regulation of industrial waste and the responsibility as a citizen. Organizations are able to understand why it is important to segregate the domestic wastes from industrial wastes and what happens to these contaminated wastes once it leaves their premises.

It dawned upon the management that the main stakeholders are the employees of Tex Cycle and much emphasis on the awareness programmes were initially placed for the communities and industries. Subsequently, the management decided to incorporate environmental social awareness programmes for the staff and their family members. In reality, employees tend to overlook the importance in the purpose of the industry and treat it as means of income. Training and awareness programme such as environmental training and Recycling and Family Day were introduced in order to carry out the environmental message across to the staff's family members. Activities such as buying recyclable materials such as paper, glass, tin, etc. at a higher market price and competition on reusing household waste into art-craft were carried out during these events.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ EXTERNAL ASSURANCE

● Waste as Competition

Management and Environmental Award

Tex Cycle aims to change the perspective of the public regarding the image of a scheduled waste recycling and recovery plant. Tex Cycle has practiced pollution control, waste minimization, cleaner production and promoting environmental awareness as part of the company's policy. The awards achieved are evidence that Tex Cycle is aiming high to be a role model in the scheduled waste management industry.



Awards Achieved Prior 2007

- ISO 14001 – Tex Cycle was awarded with the ISO 14001 certification in March 2003.
- Tex Cycle is the winner of the year 2004 “Anugerah Alam Sekitar” Award, the Industry Environmental Award for SME is the highest award given out by the Selangor State Government
- Prime Minister Hibiscus Award 2005/2006 (Notable / SMI Special Award)
- Malaysian Canadian Business Council (MCBC) Industrial Excellence in Professional, Services Award 2006 – Silver
- ACCA – MESRA First Time Reporting 2006

Awards Achieved in 2007

- Prime Minister Hibiscus Award 2006/2007 Exceptional Achievement in Environmental Performance
- Prime Minister Hibiscus Award 2006/2007 Selangor Government
- Prime Minister Hibiscus Award 2006/2007 SME Special Award



*Prime Minister Hibiscus
Award 2006/2007 SME
Special Award*



*Prime Minister Hibiscus
Award 2006/2007
Exceptional Achievement in
Environmental Performance*



*Prime Minister Hibiscus
Award 2006/2007 Selangor
Government*

MILESTONE

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ ACTIVITIES

Since January 2007, Tex Cycle has received numerous visit and audits from customers, educational environmental visit from school, various agencies, DOE officers and also a training field for new DOE officers. Below are some of the visits and activities carried out in Tex Cycle:

January 2007

- Hitachi Aircon Product (M) Sdn Bhd - Audit
- Jabatan Alam Selangor – Site Visit



February 2007

- Denso (M) Sdn Bhd – Staff awareness on scheduled waste management

March

- NEG (M) Sdn Bhd - Audit
- EiMAS – DOE Officers field visit
- Shell (M) Sdn Bhd - Audit
- Epson Precision, Johor – Audit



April

- Epson (M) Sdn Bhd – Supporting Epson EMP programme for awareness among school students
- UPM students raised funds for charity – Car wash in Tex Cycle
- DOE Workshop for waste contractor's drivers – Used Tex Cycle Truck
- Employee of Quarter (1) 2007 Award

May

- Jabatan Alam Sekitar Selangor – Audit
- EiMAS – DOE Officers site visit
- Sony Precision (M) Sdn Bhd - Audit
- National Service – Environmental awareness programme
- Safety Week for the staff



June

- PEDMA SA (M) Sdn Bhd – Audit
- Prime Minister Hibiscus Award – Audit



MILESTONE (cont'd)

Annual Report 2007

TEX CYCLE SDN. BHD.

❖ ACTIVITIES

July

- FE Magnet Wire (M) Sdn Bhd – Audit
- KATO Spring – Audit
- J+J (M) Sdn Bhd – Audit
- EiMAS – Technical visit by Malaysian Technical Environmental Programme (MTCP): Environmental Management and Pollution Control (OIC and Asia Pasific Countries)
- Employee of Quarter (2) 2007 Award



August 2007

- NEC Semiconductor (M) Sdn Bhd – Audit
- ENSEARCH Waste Management Conference 2007
- Staff Annual Medical Screening
- Staffs visit to Kuching, Sarawak
- Family day/Recycling Day



September 2007

- Monsato (M) Sdn Bhd – Audit
- DOE Environmental Awareness Camp KeKAS 2007 at Pantai Morib – Co Sponsor



October 2007

- AMD Export Sdn Bhd – Audit
- Nordenia-Thong Fook – Audit
- Revertex (M) Sdn Bhd – Audit
- EiMAS's new DOE Officers site visit
- UM student's Environmental Field Study (Industrial waste management)
- Employee of Quarter (3) 2007 Award



November 2007

- ENVICO (South Korea) – Visit / Discussion
- Mattel (M) Sdn Bhd – Audit
- Institute of Printing (IOP) environmental awareness visit



December 2007

- Canon Electronics – Audit
- Hosiden Electronics (M) Sdn Bhd – Audit
- OYL Manufacturing – Audit
- Employee of the Year Award





FORCE BEHIND TEX CYCLE

FINANCIAL STATEMENTS

Annual Report 2007

TEX CYCLE TECHNOLOGY (M) BERHAD
(Incorporated in Malaysia)

For the Year Ended 31 December 2007

Directors' Report	82 - 85
Report of the Auditors	86
Income Statement	87
Balance Sheet	88 - 89
Statements of Changes in Equity	90 - 91
Cash Flow Statements	92 - 94
Notes to the Financial Statements	95 - 121
Statement by Directors and Declaration by the Officer Primarily Responsible for the Financial Management of the Company	122

DIRECTORS' REPORT

Annual Report 2007

TEX CYCLE TECHNOLOGY (M) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors of **TEX CYCLE TECHNOLOGY (M) BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies are disclosed in Note 15 to the Financial Statements.

There have been no significant changes in the nature of the activities of the Company and its subsidiary companies during the financial year.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM	The Company RM
Profit before tax	4,980,683	1,116,756
Income tax expense	<u>(1,430,611)</u>	<u>(299,621)</u>
Profit for the year	<u><u>3,550,072</u></u>	<u><u>817,135</u></u>

In the opinion of the directors, the results of 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.

DIVIDENDS

A final dividend of 5%, less 27% tax amounting to RM623,394, proposed in the previous financial year and dealt with in the previous directors' report was paid by the Company during the financial year.

The directors have proposed a final dividend of 5%, less 26% tax, amounting to RM631,934 in respect of the financial year ended December 31, 2007. The proposed dividend is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

OTHER FINANCIAL INFORMATION

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances:

- (a) which render the amount written off of bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year and secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year.

DIRECTORS' REPORT (cont'd)

Annual Report 2007

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Ho Siew Choong
 Periasamy A/L Sinakalai
 Yusseri Bin Said
 Ho Siew Cheong
 Ho Siew Weng
 General Dato' Seri Che Md Noor Bin Mat Arshad (Rtd)
 Razali Bin Jantan
 Ravindran Markandu
 Lt. General Dato' Jaffar Bin Mohamed (Rtd) (resigned on 16.01.2008)

In accordance with Article 80 of the Company's Articles of Association, Messrs. Ho Siew Weng, Ho Siew Choong and Encik Yusseri Bin Said retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The shareholdings in the Company and in corporate shareholder of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	Number of ordinary shares of RM0.10 each			
	Balance as of 1.1.2007	Bought	Sold	Balance as of 31.12.2007
Shares in the Company				
Registered in name of director				
Direct interest				
Lt. General Dato' Jaffar Bin Mohamed (Rtd)	5,805,840	-	(500,000)	5,305,840
Yusseri Bin Said	4,350,130	-	-	4,350,130
Ho Siew Cheong	3,842,065	45,000	-	3,887,065
Ho Siew Choong	7,818,803	-	-	7,818,803
Ho Siew Weng	2,087,597	-	-	2,087,597
Periasamy A/L Sinakalai	7,599,965	-	-	7,599,965
Ravindran Markandu	18,900	-	-	18,900
Indirect interest				
Ho Siew Cheong *	82,104,559	-	-	82,104,559
Ho Siew Choong **	82,104,559	31,000	-	82,135,559
Ho Siew Weng *	82,104,559	-	-	82,104,559
Periasamy A/L Sinakalai ***	82,104,559	8,000	-	82,112,559
Deemed interest through corporate shareholder, Can Cycle Sdn. Bhd.				
Registered in name of director				
Ho Siew Choong	2,949	-	-	2,949
Periasamy A/L Sinakalai	3,036	-	-	3,036
Ho Siew Cheong	1,418	-	-	1,418
Ho Siew Weng	1,290	-	-	1,290

DIRECTORS' REPORT (cont'd)

Annual Report 2007

- * Deemed interest by virtue of his interest in Can Cycle Sdn. Bhd. pursuant to Section 6A(4) of the Companies Act, 1965.
- ** Deemed interest by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 6A(4) of the Companies Act, 1965 and his children's direct shareholdings in Tex Cycle Technology (M) Berhad by virtue of Section 134(12)(c) of the Companies Act, 1965.
- *** Deemed interest by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 6A(4) of the Companies Act, 1965 and his spouse's direct shareholdings in Tex Cycle Technology (M) Berhad by virtue of Section 134(12)(c) of the Companies Act, 1965.

None of the other directors held shares or had beneficial interest in the shares of the Company or its related companies during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed in the financial statements or the fixed salary of full-time employees of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

HOLDING COMPANY

During the financial year, the Company ceased to be a subsidiary company of Can Cycle Sdn. Bhd., a company incorporated in Malaysia.

AUDITORS

The auditors, Messrs. Deloitte & Touche, have indicated their willingness to continue in office.

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



PERIASAMY A/L SINAKALAI



HO SIEW CHOONG

Puchong
April 22, 2008

REPORT OF THE AUDITORS

Annual Report 2007

REPORT OF THE AUDITORS TO THE MEMBERS OF

TEX CYCLE TECHNOLOGY (M) BERHAD

(Incorporated in Malaysia)

We have audited the accompanying balance sheets as of December 31, 2007 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as of December 31, 2007 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for these purposes.

Our auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.

DELOITTE & TOUCHE

AF 0834

Chartered Accountants

HIEW KIM TIAM

1717/08/09 (J)

Partner

April 22, 2008

INCOME STATEMENTS

Annual Report 2007

**TEX CYCLE TECHNOLOGY (M) BERHAD
AND ITS SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

**INCOME STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Note(s)	The Group		The Company	
		2007 RM	2006 RM	2007 RM	2006 RM
Revenue	5 & 6	13,690,208	12,450,227	1,183,500	1,150,000
Cost of sales		(4,701,407)	(4,183,878)	-	-
Gross profit		8,988,801	8,266,349	1,183,500	1,150,000
Other operating income		732,452	717,603	17,033	-
Changes in fair value	32	-	241,000	-	-
Selling and distribution costs		(414,266)	(391,414)	-	-
Administrative expenses		(3,115,563)	(2,750,621)	(172,089)	(121,424)
Other operating expenses		(1,414,164)	(1,146,461)	-	-
Profit from operations	7	4,777,260	4,936,456	1,028,444	1,028,576
Finance cost	8	(21,787)	(11,025)	-	-
Interest income		225,210	198,638	88,312	96,636
Profit before tax		4,980,683	5,124,069	1,116,756	1,125,212
Income tax expense	10	(1,430,611)	(1,339,797)	(299,621)	(322,000)
Profit for the year		3,550,072	3,784,272	817,135	803,212
Earnings per ordinary share					
Basic and diluted (sen)	11	2.08	2.22		

The accompanying Notes form an integral part of the Financial Statements.

BALANCE SHEETS

Annual Report 2007

TEX CYCLE TECHNOLOGY (M) BERHAD AND ITS SUBSIDIARY COMPANIES (Incorporated in Malaysia)

BALANCE SHEETS AS OF DECEMBER 31, 2007

	Note	The Group		The Company	
		2007 RM	2006 RM	2007 RM	2006 RM
ASSETS					
Non-current Assets					
Property, plant and equipment	12	7,385,861	7,098,791	-	-
Prepaid lease payments	13	2,718,232	2,747,632	-	-
Investment property	14	5,900,000	5,900,000	-	-
Investment in subsidiary companies	15	-	-	10,579,282	10,579,282
Goodwill on consolidation	16	583,937	583,937	-	-
Total Non-current Assets		16,588,030	16,330,360	10,579,282	10,579,282
Current Assets					
Inventories	17	326,622	269,195	-	-
Trade receivables	18	3,779,535	3,534,713	-	-
Other receivables and prepaid expenses	18	845,205	306,143	29,000	1,000
Tax recoverable		410,092	71,968	13,873	4,266
Amount owing by subsidiary companies	19	-	-	8,726,793	8,773,003
Cash and bank balances	20	10,870,857	9,134,122	3,282,824	3,070,179
Total Current Assets		16,232,311	13,316,141	12,052,490	11,848,448
Total Assets		32,820,341	29,646,501	22,631,772	22,427,730

(Forward)

BALANCE SHEETS (cont'd)

Annual Report 2007

		The Group		The Company	
	Note	2007 RM	2006 RM	2007 RM	2006 RM
EQUITY AND LIABILITIES					
Capital and Reserves					
Issued capital	21	17,079,300	17,079,300	17,079,300	17,079,300
Reserves	22	13,907,933	10,981,255	5,520,922	5,327,181
Total Equity		30,987,233	28,060,555	22,600,222	22,406,481
Non-current Liabilities					
Hire-purchase payables					
- non-current portion	23	222,327	122,654	-	-
Deferred tax liabilities	24	418,557	331,670	-	-
Total Non-current Liabilities		640,884	454,324	-	-
Current Liabilities					
Trade payables	25	94,450	102,493	-	-
Other payables and accrued expenses	25	902,891	934,678	31,550	21,249
Hire-purchase payables - current portion	23	194,883	94,451	-	-
Total Current Liabilities		1,192,224	1,131,622	31,550	21,249
Total Liabilities		1,833,108	1,585,946	31,550	21,249
Total Equity and Liabilities		32,820,341	29,646,501	22,631,772	22,427,730

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

Annual Report 2007

TEX CYCLE TECHNOLOGY (M) BERHAD AND ITS SUBSIDIARY COMPANIES (Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2007

The Group

	Note	Issued capital RM	Non-distributable reserve Share premium RM	Reserve on consolidation RM	Distributable reserve - Unappropriated profit RM	Total RM
Balance as of January 1, 2006						
As previously reported		17,079,300	4,521,517	-	3,187,481	24,788,298
Effect of adoption FRS 117	32	-	-	-	102,840	102,840
As restated						
Dividends paid		17,079,300	4,521,517	-	3,290,321	24,891,138
Profit for the year		-	-	-	(614,855)	(614,855)
As previously reported						
Effect of adoption FRS 117	32	-	-	-	3,439,902	3,439,902
		-	-	-	344,370	344,370
As restated						
		-	-	-	3,784,272	3,784,272
Balance as of December 31, 2006		17,079,300	4,521,517	-	6,459,738	28,060,555
Balance as of January 1, 2007						
Dividends paid	26	17,079,300	4,521,517	-	6,459,738	28,060,555
Profit for the year		-	-	-	(623,394)	(623,394)
		-	-	-	3,550,072	3,550,072
Balance as of December 31, 2007		17,079,300	4,521,517	-	9,386,416	30,987,233

STATEMENTS OF CHANGES IN EQUITY (cont'd)

Annual Report 2007

The Company

	Note	Issued capital RM	Non- distributable reserve premium RM	Distributable reserve - Unappropriated profit RM	Total RM
As of January 1, 2006					
Dividends paid		17,079,300	4,521,517	617,307	22,218,124
Profit for the year		-	-	(614,855)	(614,855)
				803,212	803,212
As of December 31, 2006		<u>17,079,300</u>	<u>4,521,517</u>	<u>805,664</u>	<u>22,406,481</u>
As of January 1, 2007					
Dividends paid	26	17,079,300	4,521,517	805,664	22,406,481
Profit for the year		-	-	(623,394)	(623,394)
				817,135	817,135
As of December 31, 2007		<u>17,079,300</u>	<u>4,521,517</u>	<u>999,405</u>	<u>22,600,222</u>

The accompanying Notes form an integral part of the Financial Statements.

CASH FLOW STATEMENTS

Annual Report 2007

TEX CYCLE TECHNOLOGY (M) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES				
Profit for the year	3,550,072	3,784,272	817,135	803,212
Adjustments for:				
Income tax expense recognised in income statement	1,430,611	1,339,797	299,621	322,000
Allowance for doubtful debts	130,540	-	-	-
Allowance for doubtful debts no longer required	-	(16,918)	-	-
Bad debts written off	13,810	1,387	-	-
Depreciation of property, plant and equipment	1,038,266	823,464	-	-
Changes in fair value	-	(241,000)	-	-
Property, plant and equipment written off	11,359	-	-	-
Amortisation of prepaid lease payments	29,400	29,400	-	-
Gain on disposal of property, plant and equipment	(6,919)	(2,800)	-	-
Dividend income	-	-	(1,183,500)	(1,150,000)
Finance cost	21,787	11,025	-	-
Interest income	(225,210)	(198,638)	(88,312)	(96,636)
Operating Profit/(Loss) Before Working Capital Changes	5,993,716	5,529,989	(155,056)	(121,424)
(Increase)/Decrease in:				
Inventories	(57,427)	109,304	-	-
Trade receivables	(389,172)	(337,960)	-	-
Other receivables and prepaid expenses	(539,062)	(183,528)	(28,000)	-
Increase/(Decrease) in:				
Trade payables	(8,043)	(4,480)	-	-
Other payables and accrued expenses	(94,036)	87,243	10,301	(3,751)
Amount owing to directors	62,249	-	-	-
Cash Generated From/ (Used In) Operations	4,968,225	5,200,568	(172,755)	(125,175)
Finance cost paid	(21,787)	(11,025)	-	-
Income tax paid	(1,681,848)	(1,149,066)	(1,518)	(4,266)
Net Cash From/(Used In) Operating Activities	3,264,590	4,040,477	(174,273)	(129,441)

CASH FLOW STATEMENTS (cont'd)

Annual Report 2007

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES				
(Increase)/Decrease in amount owing by subsidiary companies	-	-	922,000	550,088
Purchase of property, plant and equipment and investment property (Note a)	(938,275)	(588,412)	-	-
Proceeds from disposal of property, plant and equipment	8,499	2,800	-	-
Interest received	225,210	198,638	88,312	96,636
Increase in short-term deposits pledged	(4,561)	(4,403)	-	-
Net Cash From/(Used In) Investing Activities	(709,127)	(391,377)	1,010,312	646,724
CASH FLOWS USED IN FINANCING ACTIVITIES				
Dividends paid	(623,394)	(614,855)	(623,394)	(614,855)
Payment of hire-purchase payables	(199,895)	(183,385)	-	-
Net Cash Used In Financing Activities	(823,289)	(798,240)	(623,394)	(614,855)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	1,732,174	2,850,860	212,645	(97,572)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,000,838	6,149,978	3,070,179	3,167,751
CASH AND CASH EQUIVALENTS AT END OF YEAR	27 10,733,012	9,000,838	3,282,824	3,070,179

Note a

Purchase of property, plant and equipment during the financial year were through the following:

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Payment by cash	938,275	588,412	-	-
Finance by hire-purchase	400,000	187,000	-	-
	1,338,275	775,412	-	-

(Forward)

CASH FLOW STATEMENTS (cont'd)

Annual Report 2007

Note b

Analysis of assets and liabilities of subsidiary company acquired are as follows:

	The Group 2007 RM
Amount owing by directors	<u>2</u>
Net assets acquired	<u>2</u>
Total purchase consideration	2
Less: Purchase consideration satisfied through the issue of ordinary shares	(2)
Less: Cash and bank balances	<u>-</u>
Cash flow on acquisition, net of cash and cash equivalents acquired	<u>-</u>

The accompanying Notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Annual Report 2007

**TEX CYCLE TECHNOLOGY (M) BERHAD
AND ITS SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the MESDAQ Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies are disclosed in Note 15.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiary companies during the financial year.

The registered office of the Company is located at Unit 07-02, Level 7, Menara Luxor, Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The principal place of business of the Company is located at 8, Jalan TPK 2/3, Taman Perindustrian Kinrara, 47100 Puchong, Selangor Darul Ehsan, Malaysia.

The financial statements of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on April 22, 2008.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

Adoption of New and Revised Financial Reporting Standards ("FRS")

During the financial year, the Company adopted the following new and revised FRS issued by MASB that are relevant to its operations and effective for annual financial period beginning on or after January 1, 2007:

FRS 117 Leases

- (i) FRS 117 requires that leases of land where title is not expected to pass to the Group at the end of the lease term to be treated as operating leases, and presented as prepaid lease payments and amortised over the term of the lease. Prior to adoption of FRS 117, the Group recognised leasehold land as property, plant and equipment at cost less accumulated depreciation and any impairment losses.

In accordance with the transitional provisions, FRS 117 would be applied retrospectively and the unamortised carrying amount of leasehold land would be retained as the surrogate carrying amount of prepaid lease payments and amortised over the term of the lease as disclosed in Note 13. Consequently, the comparative amounts are reclassified accordingly. The effect of this accounting change has no material financial effect on the results of the Group for the current and previous financial years.

- (ii) In prior years, investment property of the Group is stated at cost less accumulated depreciation and any impairment losses. However, with the adoption of FRS 117 on January 1, 2007, investment property is stated at fair value and changes in fair value will be recognised in the income statement in the period in which they arise. This has been accounted for retrospectively as disclosed in Note 32. The effect of this accounting change has no material financial effect on the results of the Group for the current financial year. However, there is an increase in the investment property of the Group of RM447,210 and corresponding increase in unappropriated profit of the Group RM447,210 and RM102,840 as of December 31, 2006 and December 31, 2005 respectively as disclosed in Note 32.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Annual Report 2007

FRS 124, Related Party Disclosures

FRS 124 requires the disclosure of the compensation of key management personnel and the identification of related parties and some other related party disclosures as disclosed in Note 19. Consequently, the comparative amounts are reclassified accordingly. The effect of this accounting change has no material financial impact on the financial statements of the Group.

Accounting Standards, Amendments to FRSs and IC Interpretations Issued But Not Yet Effective

The following new and revised FRSs, Amendments, Interpretations have been issued but not yet effective until future periods:

Relevant to the Company's Operations

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
FRS 139	Financial Instruments: Recognition and Measurement

With the exception of FRS 139, the revised FRSs above are effective for accounting periods beginning on or after July 1, 2007. The directors anticipate that the adoption of these revised FRSs will not have any significant impact to the financial statements of Group and the Company. The Group will apply these standards for the financial period beginning on January 1, 2008.

The effective date of FRS 139 is yet to be determined by MASB. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group will apply this standard when it becomes effective.

Not Relevant to the Company's Operations

FRS 111	Construction Contracts (effective July 1, 2007)
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance (effective July 1, 2007)
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation (effective July 1, 2007)
IC Interpretation 1	Changes in Existing Decommissioning, Restoration & Similar Liabilities (effective July 1, 2007)
IC Interpretation 2	Members' Shares in Co-operative Entities & Similar Instruments (effective July 1, 2007)
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration Environmental Rehabilitation Funds (effective July 1, 2007)
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical & Electronic Equipment (effective July 1, 2007)
IC Interpretation 7	Applying the Restatement Approach under FRS 129 ²⁰⁰⁴ Financial Reporting in Hyperinflationary Economies (effective July 1, 2007)
IC Interpretation 8	Scope of FRS 2 (effective July 1, 2007)

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise stated in the accounting policies mentioned below.

Basis of Consolidation

The consolidated financial statements include the audited financial statements of the Company and of all subsidiary companies made up to the end of the financial year. Subsidiary companies are those companies in which the Group owns, directly or indirectly, more than 50% of the equity share capital or where it has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiary companies are consolidated using the acquisition method of accounting. On acquisition, the assets and liabilities of the relevant subsidiary companies are measured at their fair values at the date of acquisition. The interest of minority shareholder is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as applicable.

All significant intercompany transactions and balances are eliminated on consolidation.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired business exceeds the cost of the business combination, the excess is recognised immediately in the income statements.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit ("CGU") that is expected to benefit from that business combination. Before recognition of any impairment losses, the carrying amount of goodwill had been allocated to Tex Cycle Sdn. Bhd. as one single CGU.

The recoverable amount of the CGU is determined from value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rate, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the CGU.

The growth rates and changes in selling prices and direct costs are based on expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 1 year and extrapolates cash flows for the following 2 years based on estimated growth rate of 8%. This rate does not exceed the average long-term growth rate for the relevant markets.

On disposal of a subsidiary company, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Revenue of the Company consists of dividend income received or receivable from subsidiary companies.

Revenue of the subsidiary companies consists mainly of income from provision of waste recovery and recycling services, income from rental of recycled products and gross invoiced value of goods sold net of discounts and returns.

Revenue in respect of provision of waste recovery and recycling services is recognised when the services are rendered.

Revenue in respect of rental of recycled products is recognised on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Annual Report 2007

Revenue in respect of sales of goods is recognised upon delivery of products and when the risks and rewards of ownership have passed.

Dividend from subsidiary companies is recognised when the shareholder's right to receive payment is established.

Rental income from investment property is recognised on a straight-line basis over the lease term.

Interest income is recognised on an accrual basis.

Foreign Currencies

The financial statements of the Group and of the Company are presented in Ringgit Malaysia, the currency of the primary economic environment in which the Company and its subsidiary companies operate (its functional currency).

In preparing the financial statements of Group and of the Company, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statements for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statements for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Employee Benefits

(a) Short-term employee benefits

Wages, salaries, paid annual leaves, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

(b) Post-employment benefits

Certain subsidiary companies make statutory contributions to an approved provident fund and contributions are charged to the income statements. Once the contributions have been paid, there are no further payment obligations. The approved provident fund is a defined contribution plan.

Income Tax

Income tax on the profit for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the "liability" method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

The carrying amount of deferred tax assets, if any, is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

Property, plant and equipment is depreciated on a straight-line method to write-off the cost of the various assets over their estimated useful lives at the following annual rates:

Leasehold buildings	Over the lease term of 99 years
Office equipment and furniture and fittings	10% - 20%
Factory equipment and electrical installation	10% - 20%
Motor vehicles	20%
Computers	20% - 40%

At each balance sheet date, the residual values and useful lives of property, plant and equipment are reviewed and the effects of any changes are recognised prospectively.

Investment Property

Investment property, comprising long-term leasehold land and building, is held for long-term rental yields or for capital appreciation or both, and is not occupied by the Group.

Investment property is stated at fair value and changes in fair value will be recognised in the income statement in the period in which they arise.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the balance sheet). The difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting period so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Annual Report 2007

The Company as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's accounting policy on borrowing costs. Contingent rentals are recognised as expenses in the year in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Property, Plant and Equipment under Hire-Purchase Arrangements

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Investment in Subsidiary Companies

Investment in subsidiary companies, which is eliminated on consolidation, is stated at cost less any impairment losses in the Company's financial statements.

Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statements, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statements, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Inventories

Inventories are valued at the lower of cost (determined on the "first-in, first-out" basis) and net realisable value. The cost of raw materials comprises the original purchase price plus cost incurred in bringing the inventories to their present location. The cost of work-in-progress and finished goods comprises the cost of raw materials, direct labour and a proportion of production overheads. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

In arriving at net realisable value, due allowance is made for damaged, obsolete or slow moving inventories.

Receivables

Receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts. Bad debts are written off in the year in which they are identified.

Payables

Payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

Provisions

Provisions are made when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to a present value where the effect is material.

At each balance sheet date, the provisions are revised by the directors and adjusted to reflect the current best estimate. The provisions are reversed if they are no longer probable that the Group and the Company will be required to settle the obligation.

Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to a known amount of cash with insignificant risk of changes in value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(i) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(ii) Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period other than as follows:

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Annual Report 2007

Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was RM583,937 and no impairment loss was recognised during the current financial year. Details of the value in use calculation are provided in Note 16.

5. REVENUE

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Provision of waste recovery and recycling services	10,743,937	8,867,516	-	-
Rental of recycled products	1,981,317	2,131,301	-	-
Sales of goods	964,954	1,451,410	-	-
Gross dividend income from subsidiary companies	-	-	1,183,500	1,150,000
	<u>13,690,208</u>	<u>12,450,227</u>	<u>1,183,500</u>	<u>1,150,000</u>

6. OPERATING COSTS APPLICABLE TO REVENUE

The operating costs, classified by nature, applicable to revenue are as follows:

	Note	The Group		The Company	
		2007 RM	2006 RM	2007 RM	2006 RM
Direct costs on services rendered		3,167,274	2,472,155	-	-
Raw materials and consumables used		415,513	834,560	-	-
Changes in inventories of work-in-progress and finished goods		(52,368)	57,720	-	-
Directors' remuneration	9	731,298	689,142	34,000	32,000
Staff costs		1,646,333	1,847,371	-	-
Depreciation of property, plant and equipment	12	1,038,266	823,464	-	-
Amortisation of prepaid lease payments		29,400	29,400	-	-
Other operating expenses		<u>2,669,684</u>	<u>1,718,562</u>	<u>138,089</u>	<u>89,424</u>
		<u>9,645,400</u>	<u>8,472,374</u>	<u>172,089</u>	<u>121,424</u>

Staff costs include salaries, bonuses, contributions to EPF and all other staff related expenses. Contributions to EPF by the Group during the financial year amounted to RM153,147 (2006 : RM117,080).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Annual Report 2007

7. PROFIT FROM OPERATIONS

Profit from operations is arrived at after the following charges/(credits):

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Allowance for doubtful debts	130,540	-	-	-
Auditors' remuneration:				
Statutory audit:				
Current year	60,000	45,000	25,000	20,000
Other services	5,000	5,000	-	-
Rental of premises	16,200	15,400	-	-
Bad debts written off	13,810	1,387	-	-
Property, plant and equipment written off	11,359	-	-	-
Realised loss on foreign exchange	924	468	-	-
Rental income from investment property	(607,520)	(564,000)	-	-
Gain on disposal of property, plant and equipment	(6,919)	(2,800)	-	-
Allowance for doubtful debts no longer required	-	(16,918)	-	-

8. FINANCE COST

	The Group	
	2007	2006
	RM	RM
Interest on hire-purchase	21,787	11,025

9. DIRECTORS' REMUNERATION

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Executive directors:				
Salaries and other emoluments	556,370	509,050	-	-
Contributions to EPF	44,928	52,092	-	-
Fees	96,000	96,000	-	-
Non-executive directors:				
Other emoluments	34,000	32,000	34,000	32,000
	731,298	689,142	34,000	32,000

The number of directors of the Company whose total remuneration during the year falls within the following bands is as follows:

	Number of Directors	
	2007	2006
Executive directors:		
Above RM150,000	1	1
RM50,001 - RM150,000	4	4
Below RM50,000	1	1
Non-executive directors:		
Below RM50,000	3	2

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Annual Report 2007

10. INCOME TAX EXPENSE

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Estimated tax payable:				
Current year	1,361,409	1,256,267	318,710	322,000
Overprovision in prior year	(17,685)	(848)	(19,089)	-
	1,343,724	1,255,419	299,621	322,000
Deferred tax liabilities (Note 24):				
Current year	17,763	69,419	-	-
Underprovision in prior year	69,124	14,959	-	-
	86,887	84,378	-	-
	1,430,611	1,339,797	299,621	322,000

A reconciliation of income tax expense applicable to profit before tax at the applicable statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit before tax	4,980,683	5,124,069	1,116,756	1,125,212
Tax at the applicable tax rate of:				
- 27% (2006 : 28%)	301,524	315,059	301,524	315,059
- 20% (2006 : 20%) on the first RM500,000 chargeable income	100,000	100,000	-	-
- 27% (2006 : 28%) on the remaining chargeable income	908,260	944,691	-	-
Tax effect of:				
Expenses that are not deductible in determining taxable profit	69,388	27,370	17,186	6,941
Income not subject to tax	-	(61,434)	-	-
Under/(Over)provision in prior year:				
Current tax	(17,685)	(848)	(19,089)	-
Deferred tax	69,124	14,959	-	-
	1,430,611	1,339,797	299,621	322,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Annual Report 2007

11. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year as follows:

Basic

	The Group	
	2007	2006
Profit for the year (RM)	<u>3,550,072</u>	<u>3,784,272</u>
Weighted average number of ordinary shares in issue (units of RM0.10 each)	<u>170,793,000</u>	<u>170,793,000</u>
Basic earnings per share (sen)	<u>2.08</u>	<u>2.22</u>

Diluted

The basic and diluted earnings per share are equal as the Company has no dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Annual Report 2007

12. PROPERTY, PLANT AND EQUIPMENT

The Group

Cost	Buildings RM	Office equipment and furniture and fittings RM	Factory equipment and electrical installation RM	Motor vehicles RM	Computers RM	Total RM
As of January 1, 2006	6,442,891	253,269	2,688,414	1,092,252	38,852	10,515,678
As previously reported	(2,814,284)	-	-	-	-	(2,814,284)
Effect of adoption FRS 117	3,628,607	253,269	2,688,414	1,092,252	38,852	7,701,394
As restated	-	65,546	164,135	518,712	27,019	775,412
Additions	-	-	-	(32,379)	-	(32,379)
Disposals	-	-	-	-	-	(4,536)
Write-offs	-	-	(4,536)	-	-	-
As of December 31, 2006	3,628,607	318,815	2,848,013	1,578,585	65,871	8,439,891
As of January 1, 2007	3,628,607	318,815	2,848,013	1,578,585	65,871	8,439,891
Additions	-	68,779	581,740	668,376	19,380	1,338,275
Disposals	-	(786)	(1,590)	(141,529)	-	(143,905)
Write-offs	-	(3,955)	(47,000)	(240,600)	(11,946)	(303,501)
As of December 31, 2007	3,628,607	382,853	3,381,163	1,864,832	73,305	9,330,760

(Forward)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Annual Report 2007

The Group

Accumulated depreciation

As of January 1, 2006

As previously reported

Effect of adoption of FRS 117

As restated

Charged during the year

As previously stated

Adoption of FRS 117

As restated

Disposals

Write-offs

As of December 31, 2006

As of January 1, 2007

Additions

Disposals

Write-offs

As of December, 2007

(Forward)

	Buildings RM	Office equipment and furniture and fittings RM	Factory equipment and electrical installation RM	Motor vehicles RM	Computers RM	Total RM
	65,580 (37,252)	41,465 -	323,816 -	143,513 -	17,429 -	591,803 (37,252)
	28,328	41,465	323,816	143,513	17,429	554,551
	65,622 (29,400)	47,052 -	405,084 -	315,123 -	19,983 -	852,864 (29,400)
	36,222	47,052	405,084	315,123	19,983	823,464
	-	-	-	(32,379)	-	(32,379)
	-	-	(4,536)	-	-	(4,536)
	64,550	88,517	724,364	426,257	37,412	1,341,100
	64,550	88,517	724,364	426,257	37,412	1,341,100
	36,223	56,059	426,800	499,604	19,580	1,038,266
	-	(367)	(429)	(141,529)	-	(142,325)
	-	(1,072)	(47,000)	(232,579)	(11,491)	(292,142)
	100,773	143,137	1,103,735	551,753	45,501	1,944,899

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Annual Report 2007

The Group	Buildings RM	Office equipment and furniture and fittings RM	Factory equipment and electrical installation RM	Motor vehicles RM	Computers RM	Total RM
Net book value						
As of December, 2007	3,527,834	239,716	2,277,428	1,313,079	27,804	7,385,861
As of December, 2006	3,564,057	230,298	2,123,649	1,152,328	28,459	7,098,791

Included in property, plant and equipment of the Group are motor vehicles acquired under hire-purchase arrangements with net book value amounting to RM753,988 (2006 : RM550,179).

Included in property, plant and equipment of the Group are fully depreciated property, plant and equipment at a total cost of approximately RM1,974,700 (2006 : RM1,813,200) which are still in use.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Annual Report 2007

13. PREPAID LEASE PAYMENTS

	The Group	
	2007 RM	2006 RM (Restated)
At beginning of year	2,747,632	-
Effect of adoption of FRS 117	-	2,777,032
As restated	2,747,632	2,777,032
Amortisation for the year:		
Current year	(29,400)	-
Effect of adoption of FRS 117	-	(29,400)
At end of the year	<u>2,718,232</u>	<u>2,747,632</u>

As of December 31, 2007, the title to the leasehold land has yet to be transferred to the Company.

As of December 31, 2007, the unexpired lease period of the said leasehold land is 58 years (2006 : 59 years).

14. INVESTMENT PROPERTY

	The Group	
	2007 RM	2006 RM
Leasehold land and building - Fair value (Note 32)	<u>5,900,000</u>	<u>5,900,000</u>

The fair value of the investment property was estimated at RM5,900,000 (2006 : RM5,900,000) based on a valuation by an independent professionally qualified valuer, City Valuers & Consultants Sdn. Bhd. dated January 7, 2008. The valuation was based on current prices in an active market for the property.

Rental income from investment property of the Group has been disclosed in Note 7. Direct operating expenses arising on the investment property of the Group during the financial year amounted to RM42,767 (2006 : RM32,455).

15. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2007 RM	2006 RM
Unquoted shares - at cost	<u>10,579,282</u>	<u>10,579,282</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Annual Report 2007

Details of the subsidiary companies, which are all incorporated in Malaysia, are as follows:

Name of Company	Effective Equity Interest		Principal Activities
	2007 %	2006 %	
Tex Cycle Sdn. Bhd. (TCSB)	100	100	Recovery and recycling of can and scheduled waste
Metro Koats Technology Sdn. Bhd.	100	100	Manufacturing and marketing of chemical products
Metro Envoy Sdn. Bhd.	100	100	Intended activity is the rental of storage space to its fellow subsidiary company
Tex Cycle (P2) Sdn. Bhd. (TCP2SB) (Formerly known as Premier Everest Sdn. Bhd.)	100	-	Dormant

During the financial year, TCSB acquired the entire equity interest comprising 2 shares of RM1 each of TCP2SB for a total consideration of RM2.

The effects of this acquisition on the financial results of the Group for the year are as follows:

Post-acquisition results of subsidiary company acquired:

	The Group 2007 RM
Revenue	-
Loss before tax	(3,961)
Loss for the period June 4, 2007 (date of incorporation) to December 31, 2007	<u>(3,961)</u>

The effects of this acquisition on the financial position of the Group as at the end of the financial year are as follows:

	The Group 2007 RM
Other receivables and prepaid expenses	697,646
Other payables and accrued expenses	<u>(701,605)</u>
Group's share of net liabilities	<u>(3,959)</u>

16. GOODWILL ON CONSOLIDATION

	The Group	
	2007 RM	2006 RM
At beginning and end of year	<u>583,937</u>	<u>583,937</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Annual Report 2007

17. INVENTORIES

	The Group	
	2007 RM	2006 RM
At cost:		
Raw materials	225,056	160,587
Work-in-progress	4,125	6,545
Finished goods	97,441	102,063
	<u>326,622</u>	<u>269,195</u>

18. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

Trade receivables consist of:

	The Group	
	2007 RM	2006 RM
Trade receivables	3,966,949	3,592,787
Less: Allowance for doubtful debts	(187,414)	(58,074)
	<u>3,779,535</u>	<u>3,534,713</u>

Trade receivables represent amounts receivable for provision of waste recovery and recycling services, rental of recycled products and sales of goods. The credit period granted to customers ranges from 30 to 90 days (2006: 30 to 90 days).

Other receivables and prepaid expenses consist of:

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Other receivables	763,773	248,487	-	-
Refundable deposits	46,557	50,782	1,000	1,000
Prepaid expenses	34,875	6,874	28,000	-
	<u>845,205</u>	<u>306,143</u>	<u>29,000</u>	<u>1,000</u>

19. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

During the financial year, the Company ceased to be a subsidiary company of Can Cycle Sdn. Bhd., a company incorporated in Malaysia.

Amount owing by subsidiary companies, which arose mainly from advances and payments on behalf, is unsecured, interest-free and has no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Annual Report 2007

During the financial year, significant related party transactions which are negotiated on a basis determined between the parties, are as follows:

	The Company	
	2007 RM	2006 RM
Advances to subsidiary companies:		
Tex Cycle Sdn. Bhd. for acquisition of plant and machinery	156,000	638,412
Tex Cycle (P2) Sdn. Bhd. for acquisition of leasehold land	701,305	-
	<u>701,305</u>	<u>-</u>
Related party transaction:		
Printing cost payable to Metro Engravers Sdn Bhd	61,719	24,761
	<u>61,719</u>	<u>24,761</u>

Compensation of key management personnel

The remuneration of key management personnel (excluding directors) during the financial years are as follows:

	The Group	
	2007 RM	2006 RM
Short term employee benefits	920,158	817,320
Contributions to EPF	76,876	77,364
	<u>997,034</u>	<u>894,684</u>

20. CASH AND BANK BALANCES

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash on hand and at banks	1,270,931	1,260,784	42,081	1,660
Short-term deposits with:				
Licensed investment bank	9,462,081	7,740,054	3,240,743	3,068,519
Licensed bank	137,845	133,284	-	-
	<u>10,870,857</u>	<u>9,134,122</u>	<u>3,282,824</u>	<u>3,070,179</u>

Short-term deposits with a licensed bank of the Group amounting to RM137,845 (2006 : RM133,284) are pledged as security for bank guarantees facilities amounting to RM74,244 (2006 : RM74,244) as of December 31, 2007.

The short-term deposits with asset management company and licensed bank earn interest at rates ranging from 2.65% to 3.38% (2006 : 2.65% to 3.41%) per annum and have maturity periods ranging from 7 to 203 days (2006 : 7 to 142 days).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Annual Report 2007

21. SHARE CAPITAL

	The Group and The Company	
	2007 RM	2006 RM
Authorised:		
200,000,000 ordinary shares of RM0.10 each	<u>20,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
170,793,000 ordinary shares of RM0.10 each	<u>17,079,300</u>	<u>17,079,300</u>

22. RESERVES

	The Group		The Company	
	2007 RM	2006 RM (Restated)	2007 RM	2006 RM
Non-Distributable:				
Share premium	4,521,517	4,521,517	4,521,517	4,521,517
Distributable:				
Unappropriated profit	<u>9,386,416</u>	<u>6,459,738</u>	<u>999,405</u>	<u>805,664</u>
	<u>13,907,933</u>	<u>10,981,255</u>	<u>5,520,922</u>	<u>5,327,181</u>

Share Premium

	The Group and The Company	
	2007 RM	2006 RM
Public issue of 45,000,000 new ordinary shares of RM0.10 each at a premium of RM0.12 each per share in 2005	5,400,000	5,400,000
Listing expenses	<u>(878,483)</u>	<u>(878,483)</u>
	<u>4,521,517</u>	<u>4,521,517</u>

Unappropriated Profit

Distributable reserves are those available for distribution as cash dividends. Based on the estimated tax credits available and the prevailing tax rate applicable to dividends, the entire unappropriated profit of the Company as of December 31, 2007 is available for distribution by way of cash dividends without additional tax liability being incurred.

23. HIRE-PURCHASE PAYABLES

	The Group	
	2007 RM	2006 RM
Total outstanding	438,396	231,038
Less: Interest-in-suspense	<u>(21,186)</u>	<u>(13,933)</u>
Principal outstanding	417,210	217,105
Less: Amount due within 12 months (shown under current liabilities)	<u>(194,883)</u>	<u>(94,451)</u>
Non-current portion	<u>222,327</u>	<u>122,654</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Annual Report 2007

The non-current portion is payable as follows:

	The Group	
	2007 RM	2006 RM
Financial years ending December 31:		
2008	-	62,592
2009	198,631	60,062
2010	23,696	-
	<u>222,327</u>	<u>122,654</u>

It is the Group's policy to acquire certain of its property, plant and equipment under hire-purchase arrangements. The average term of hire-purchase is about 3 years. For the financial year ended December 31, 2007, the average effective borrowing rate range from 2.42% to 4.81% (2006: 2.53% to 6.50%) per annum. Interest rates are fixed at the inception of the hire-purchase arrangements.

The effective borrowing rates of the hire-purchase obligations range from 2.42% to 4.81% (2006: 2.53% to 6.50%) per annum.

24. DEFERRED TAX LIABILITIES

	The Group	
	2007 RM	2006 RM
At beginning of year	331,670	247,292
Transfer from income statements (Note 10)	<u>86,887</u>	<u>84,378</u>
At end of year	<u>418,557</u>	<u>331,670</u>

The deferred tax liabilities represent the tax effects of the following:

	Deferred Tax Asset/(Liability) The Group	
	2007 RM	2006 RM
Temporary differences arising from:		
Property, plant and equipment	454,957	331,670
Trade receivables	<u>(36,400)</u>	<u>-</u>
	<u>418,557</u>	<u>331,670</u>

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables comprise amounts outstanding for trade purchases. The average credit period granted to the Group for trade purchases ranges from 30 to 90 days (2006: 30 to 90 days).

Other payables and accrued expenses consist of:

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Other payables	457,301	336,517	31,550	21,249
Accrued expenses	95,066	309,886	-	-
Amount owing to directors	<u>350,524</u>	<u>288,275</u>	<u>-</u>	<u>-</u>
	<u>902,891</u>	<u>934,678</u>	<u>31,550</u>	<u>21,249</u>

Amount owing to directors, which arose mainly from advances and payments on behalf, is unsecured, interest-free and has no fixed terms of repayment.

26. DIVIDENDS

A final dividend of 5%, less 27% tax amounting to RM623,394, proposed in respect of the previous financial year and dealt with in the previous directors' report was paid by the Company during the financial year. Gross dividend per share during the year is 0.5 sen (2006: 0.5 sen).

The directors propose a final dividend of 5%, less 26% tax, amounting to RM631,934 in respect of the financial year ended December 31, 2007. The proposed dividend is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the Financial Statements.

27. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash on hand and at banks	1,270,931	1,260,784	42,081	1,660
Short-term deposits with:				
Licensed investment bank	9,462,081	7,740,054	3,240,743	3,068,519
Licensed bank	137,845	133,284	-	-
	10,870,857	9,134,122	3,282,824	3,070,179
Less: Non cash equivalents:				
Fixed deposits pledged (Note 20)	(137,845)	(133,284)	-	-
	10,733,012	9,000,838	3,282,824	3,070,179

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group has taken measures to minimise the Group's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

(i) Foreign currency risk

The Group undertakes transactions in foreign currencies with certain foreign entities and therefore is exposed to foreign currency risk.

(ii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on short-term deposits. The interest rates for short-term deposits are disclosed in Note 20. The interest rates for the hire-purchase payables, which are fixed at the inception of the hire-purchase arrangements, are disclosed in Note 23.

(iii) Credit risk

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based on careful evaluation of the customers' financial condition and credit history.

The credit risk of a subsidiary company is concentrated on a single defense industry customer. The said subsidiary company is dependent on the defence industry customer for the purchase of its chemical products and due to this dependency on the defence industry customer for revenue, any late or non-payment by the defence industry customer may have an adverse impact on the cash flows and/or profits of the Group.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Annual Report 2007

(iv) **Liquidity risk**

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and financial liabilities.

(v) **Cash flow risk**

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Financial Assets

The Group's principal financial assets are trade and other receivables, and cash and bank balances.

The Company's principal financial assets also include amount owing by subsidiary companies.

The accounting policies applicable to the major financial assets are as disclosed in Note 3.

Financial Liabilities and Equity Instruments

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Significant financial liabilities of the Group include trade and other payables, and hire-purchase payables which are stated at their nominal values.

Equity instruments are recorded at the proceeds received net of direct issue costs.

Fair Values

The carrying amounts of financial assets and financial liabilities approximate their fair values because of the short maturity period for these instruments, or the discount rate based on the prevailing market interest rate used in estimating fair value has not changed significantly.

29. **SEGMENT INFORMATION**

Business Segments

For management purposes, the Group is organised into the following operating divisions:

Industry Segment	Description
Investment holding	Investment activities in investment property and unquoted securities held by the Group on a long-term basis
Recovery and recycling services	Provision of waste recovery and recycling services, and rental of recycled products
Manufacturing	Manufacturing and marketing of chemical products
Others	Rental of storage space

Geographical Segments

No information on geographical segments is presented as the Group operates solely in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Annual Report 2007

The Group 2007	Investment holding RM	Recovery and recycling services RM	Manufacturing RM	Others RM	Eliminations RM	Total RM
Revenue						
External customers	-	12,725,254	964,954	-	-	13,690,208
Inter-segment sales	1,183,500	-	221,991	-	(1,405,491)	-
Total revenue	1,183,500	12,725,254	1,186,945	-	(1,405,491)	13,690,208
Results						
Segment results	(155,056)	4,651,431	(183,949)	464,834	-	4,777,260
Finance cost						(21,787)
Interest income						225,210
Profit before tax						4,980,683
Income tax expense						(1,430,611)
Net profit for the year						3,550,072
(Forward)						

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Annual Report 2007

The Group 2007	Investment holding RM	Recovery and recycling services RM	Manufacturing RM	Others RM	Eliminations RM	Total RM
Consolidated Balance Sheet						
Assets						
Segment assets	22,617,899	19,921,147	3,078,416	6,336,352	(19,543,565)	32,410,249
Unallocated corporate assets						410,092
Consolidated total assets						32,820,341
Liabilities						
Segment liabilities	31,550	4,728,627	995,782	5,213,010	(9,554,418)	1,414,551
Unallocated corporate liabilities						418,557
Consolidated total liabilities						1,833,108
Other Information						
Capital expenditure (Note 12)	-	1,212,260	126,015	-	-	1,338,275
Depreciation (Note 12)	-	914,197	79,926	44,143	-	1,038,266
(Forward)						

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Annual Report 2007

The Group 2006	Investment holding RM	Recovery and recycling services RM	Manufacturing RM	Others RM	Eliminations RM	Total RM
Revenue						
External customers	-	10,998,817	1,451,410	-	-	12,450,227
Inter-segment sales	1,150,000	-	343,845	-	(1,493,845)	-
Total revenue	1,150,000	10,998,817	1,795,255	-	(1,493,845)	12,450,227
Results						
Segment results	(121,423)	4,153,077	184,532	720,270	-	4,936,456
Finance cost						(11,025)
Interest income						198,638
Profit before tax						5,124,069
Income tax expense						(1,339,797)
Net profit for the year						3,784,272
(Forward)						

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Annual Report 2007

The Group 2006	Investment holding RM	Recovery and recycling services RM	Manufacturing RM	Others RM	Eliminations RM	Total RM
Consolidated Balance Sheet						
Assets						
Segment assets	22,560,191	16,607,141	3,151,555	6,758,811	(19,503,165)	29,574,533
Unallocated corporate assets						71,968
Consolidated total assets						29,646,501
Liabilities						
Segment liabilities	116,903	3,617,867	1,002,669	5,424,565	(8,907,728)	1,254,276
Unallocated corporate liabilities						331,670
Consolidated total liabilities						1,585,946
Other Information						
Capital expenditure (Note 12)	220,712	547,140	7,560	-	-	775,412
Depreciation (Note 12)	-	743,227	72,880	7,357	-	823,464

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Annual Report 2007

30. CAPITAL COMMITMENTS

As of December 31, 2007, the Group has the following capital commitments:

	The Group	
	2007 RM	2006 RM
Approved and contracted for purchase of		
Property, plant and equipment	-	156,000
Leasehold land	4,885,636	-
	<u>4,885,636</u>	<u>156,000</u>

31. RENTAL COMMITMENT

The Group leases premises under cancellable rental agreements. The Company is required to give 2 months notice for the termination of those agreements. The commitment in respect of the 2 months notice amounted to RM82,350.

32. PRIOR YEAR ADJUSTMENTS AND COMPARATIVE FIGURES

- (i) As mentioned in Note 2, the Company adopted FRS 117 during the financial year. The effects of the changes in accounting policies resulting from the adoption of FRS 117 on the financial statements in prior years have been accounted for as prior year adjustments. Accordingly, certain accounts in prior years have been restated as follows:

The Group	As previously reported RM	Prior year adjustment RM	As restated RM
Balance Sheet As Of December 31, 2006			
Property, plant and equipment	9,846,423	(2,747,632)	7,098,791
Prepaid lease payments	-	2,747,632	2,747,632
Investment property	5,452,790	447,210	5,900,000
Unappropriated profit as of December 31, 2006	6,012,528	447,210	6,459,738
Unappropriated profit as of December 31, 2005	<u>3,187,481</u>	<u>102,840</u>	<u>3,290,321</u>
Income Statement For The Year Ended December 31, 2006			
Changes in fair value	-	241,000	241,000
Other operating expenses	1,249,831	(103,370)	1,146,461
Profit before tax	4,779,699	344,370	5,124,069
Depreciation of:			
Property, plant and equipment	852,864	(29,400)	823,464
Investment property	103,370	(103,370)	-
Amortisation of prepaid lease payments	<u>-</u>	<u>29,400</u>	<u>29,400</u>

- (ii) The presentation of directors' remuneration in 2006 has been reclassified to conform with current year presentation as follows:

The Group	As previously reported RM	Reclassification RM	As restated RM
Directors' remuneration	<u>665,142</u>	<u>24,000</u>	<u>689,142</u>

STATEMENT BY DIRECTORS AND DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

Annual Report 2007

TEX CYCLE TECHNOLOGY (M) BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

The directors of **TEX CYCLE TECHNOLOGY (M) BERHAD** state that, in their opinion, the accompanying balance sheets and the related statements of income, cash flows and changes in equity are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of December 31, 2007 and of the results of their businesses and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with
a resolution of the Directors,



PERIASAMY A/L SINAKALAI

Puchong
April 22, 2008



HO SIEW CHOONG

DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, GERALDINE HII SIAW WEI, the Officer primarily responsible for the financial management of **TEX CYCLE TECHNOLOGY (M) BERHAD**, do solemnly and sincerely declare that the accompanying balance sheet and the related statements of income, cash flows and changes in equity, are, in my opinion, 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.

GERALDINE HII SIAW WEI

Subscribed and solemnly declared by the abovenamed
GERALDINE HII SIAW WEI at

Before me,

SOH AH KAU (NO. W315)
COMMISSIONER FOR OATHS
KUALA LUMPUR, MALAYSIA.

STATEMENTS OF DIRECTORS SHAREHOLDINGS (cont'd)

Annual Report 2007

Statement of Directors' Shareholdings As at 30 April 2008

The interest of the Directors in the shares of the Company (both direct and indirect) as at 30 April 2008 are as follows:

Name of Directors	< -----Direct----- >		< -----Indirect----- >	
	No. of Shares	%	No. of Shares	%
Ho Siew Choong	7,818,803	4.58	82,135,559	*48.09
Periasamy A/L Sinakalai	7,599,965	4.45	82,112,559	^48.08
Yusseri Bin Said	4,350,130	2.55	-	-
Ho Siew Cheong	3,897,065	2.28	82,104,559	#48.07
Ho Siew Weng	2,092,597	1.23	82,104,559	#48.07
Ravindran Markandu	18,900	0.01	-	-

* Deemed interest by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 6A(4) of the Companies Act, 1965 and his children's direct shareholdings in Tex Cycle Technology (M) Berhad by virtue of Section 134(12)(c) of the Companies Act, 1965.

^ Deemed interest by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 6A(4) of the Companies Act, 1965 and his spouse's direct shareholdings in Tex Cycle Technology (M) Berhad by virtue of Section 134(12)(c) of the Companies Act, 1965.

Deemed interest by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 6A(4) of the Companies Act, 1965.

ANALYSIS ON SHAREHOLDINGS

Annual Report 2007

Analysis on Shareholdings As at 30 April 2008

SHARE CAPITAL

Authorised Share Capital	: RM20,000,000.00
Issued and Fully Paid Share Capital	: RM17,079,300.00
Class of Shares	: Ordinary Shares of RM0.10 each
Voting Rights	: One (1) vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	3	0.26	171	0.00
100 to 1,000	92	7.94	71,000	0.04
1,001 to 10,000	584	50.43	3,192,200	1.87
10,001 to 100,000	391	33.77	13,744,600	8.05
100,001 to less than 5% of issued shares	87	7.51	71,680,470	41.97
5% and above of issued shares	1	0.09	82,104,559	48.07
	1,158	100.00	170,793,000	100.00

SUBSTANTIAL SHAREHOLDERS

Name of Directors	< -----Direct----- >		< -----Indirect----- >	
	No. of Shares	%	No. of Shares	%
Can Cycle Sdn. Bhd.	82,104,559	48.07	-	-
Ho Siew Choong	7,818,803	4.58	82,135,559	*48.09
Periasamy A/L Sinakalai	7,599,965	4.45	82,112,559	^48.08
Ho Siew Cheong	3,897,065	2.28	82,104,559	#48.07
Ho Siew Weng	2,092,597	1.23	82,104,559	#48.07

* Deemed interest by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 6A(4) of the Companies Act, 1965 and his children's direct shareholdings in Tex Cycle Technology (M) Berhad by virtue of Section 134(12)(c) of the Companies Act, 1965.

^ Deemed interest by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 6A(4) of the Companies Act, 1965 and his spouse's direct shareholdings in Tex Cycle Technology (M) Berhad by virtue of Section 134(12)(c) of the Companies Act, 1965.

Deemed interest by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 6A(4) of the Companies Act, 1965.

ANALYSIS ON SHAREHOLDINGS (cont'd)

Annual Report 2007

LIST OF THIRTY (30) LARGEST SHAREHOLDERS As at 30 April 2008

No.	Name of Shareholders	No. of Shares	%
1	Can Cycle Sdn. Bhd.	87,104,559	48.07
2	Ho Siew Choong	7,818,803	4.58
3	Periasamy A/L Sinakalai	7,599,965	4.45
4	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Jaffar bin Mohamed	5,305,840	3.11
5	Yusseri Bin Said	4,350,130	2.55
6	Abdul Aziz bin Hashim	4,000,000	2.34
7	Cimsec Nomnees (Tempatan) Sdn Bhd Pledged Securities Account for Ho Siew Cheong	3,601,065	2.11
8	Ho Mah Lee @ Ho Chwee Keng	3,301,000	1.93
9	Aiza Binti Abdul Aziz	3,000,000	1.76
10	DB (Malaysia) Nominee (Tempatan) Sdn Bhd Exempt An For Deutsche Bank Ag Singapore (PWM Tempatan)	2,721,000	1.59
11	M & A Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Fready a/l Joseph (M&A)	2,370,000	1.39
12	Amsec Nominees (Asing) Sdn Bhd Pledged Securities Account for Aminuddin Yusof Lana (Ambank)	2,065,500	1.21
13	Lee Yuen Kong	1,992,600	1.17
14	Cimsec Nomnees (Tempatan) Sdn Bhd Pledged Securities Account for Ho Siew Kee	1,837,670	1.08
15	Cimsec Nomnees (Tempatan) Sdn Bhd Pledged Securities Account for Ho Siew Weng	1,796,597	1.05
16	Affin Nomnees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Meng Leng (TAN0950C)	1,457,500	0.85
17	TA Nomnees (Tempatan) Sdn Bhd Pledged Securities Account for Soong Ik Lin	1,229,000	0.72
18	Mercsec Nomnees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Kian Teck	800,900	0.47
19	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Azril Akmar Bin Attan Akmar (CTS-AAA0006C)	785,000	0.46
20	Soong Ik Lin	780,000	0.46
21	Cheong Yoke Sim	714,000	0.42
22	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Kamaluddin bin Abdullah (PB)	670,000	0.39
23	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Crescendo Assets Limited (PB-IU)	670,000	0.39
24	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Marinah binti Mahathir (PB-IU)	655,000	0.38
25	Yong Chee Foong	500,000	0.29
26	Fong Yuet Siong	448,400	0.26
27	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chai Yee Wah (M09)	418,300	0.39
28	Ho Mei Ling	396,400	0.23
29	Ho Mei Wah	388,400	0.23
30	See Kien Leong	332,000	0.19
Total		144,109,629	84.38

LIST OF PROPERTIES

Annual Report 2007

List of Properties As at 31 December 2007

Location	Description/ Existing Use	Land Area (Square Metres)	Built-up Area (Square Metres)	Approximate Age of Building	Tenure	Net Book Value @ 31 December 2006 RM	Year of Acquisition
TCSB No. 8 Jalan TPK 2/3, Taman Perindustrian Kinrara, 47100 Puchong, Selangor (PT 24401, HSM 23155, Mukim and District of Petaling, Selangor)	Double storey factory, where the upper level is used as office space / Tex Cycle's headquarters and recycling facility	2,108.29	1,100	11 years	99 years leasehold up to 18 January 2093	2,149,147	1999
No. 7, Jalan TPK 2/4, Taman Perindustrian Kinrara, 47100 Puchong, Selangor (PT 24405, HSM 23159, Mukim and District of Petaling, Selangor)	Double storey fully enclosed factory/ Recycling and storage facility	1,980.34	1,980.34	11 years	99 years leasehold up to 18 January 2093	2,575,552	2002
MKT No. 13 Jalan BP 4/1, Pusat Perindustrian Bukit Puchong, Bandar Bukit Puchong, 47100 Puchong, Selangor (PT 43325, HSD 128758, Mukim and District of Petaling, Selangor)	Single storey factory with a double storey office building / Metro Koats' headquarters, manufacturing and storage facility	2033	550	1 year	Freehold	1,521,368	2003

LIST OF PROPERTIES (cont'd)

Annual Report 2007

List of Properties (continued)
As at 31 December 2007

Location	Description/ Existing Use	Land Area (Square Metres)	Built-up Area (Square Metres)	Approximate Age of Building	Tenure	Net Book Value @31December 2006 RM	Year of Acquisition
Metro Envy Lot 35604, Jalan Kuchai Lama, 58200 Kuala Lumpur (PN 1433, Lot 35604, Mukim and District of Kuala Lumpur, State of Wilayah Persekutuan)	Triple storey factory cum office building / Rented to third party^	4822.7	3,668.65	11 years	99 years leasehold up to 25 May 2065	5,556,160	2005

^ Rented for RM53,760 per month. Pursuant to the tenancy agreements, the tenants covenant at all times to keep the demised premises and the appurtenances thereof including the doors plate glass and other windows fixtures fastenings wires waste water drain and other pipes and sanitary and water apparatus therein in good and substantial repair and condition throughout the tenancy period (damage by fire and such other shall be irrecoverable in consequence of any act or default of the tenant their servants or agents only excepted) and to renew and replace from time to time all fixtures fittings and appurtenances in the demised premises and the aforesaid court which may become or be beyond repair at any time during or at the expiration be sooner determination of the tenancy period.

NOTICE OF ANNUAL GENERAL MEETING

Annual Report 2007

TEX CYCLE TECHNOLOGY (M) BERHAD

(Company No.: 642619-P)

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of **TEX CYCLE TECHNOLOGY (M) BERHAD** (Company No.: 642619-P) will be held at **8.30 a.m. on Wednesday, 18 June 2008** at the **Bukit Jalil Golf & Country Resort, Perdana Room 3, Jalan 3/155B, Bukit Jalil, 57100 Kuala Lumpur** for the following purposes:

ORDINARY BUSINESS:

- | | |
|---|---------------------|
| 1. To receive the Audited Financial Statements for the year ended 31 December 2007 together with the Reports of the Directors and Auditors thereon. | <i>Resolution 1</i> |
| 2. To declare a First and Final Dividend of 0.5 sen per share less 26% Income Tax in respect of the financial year ended 31 December 2007. | <i>Resolution 2</i> |
| 3. To approve the payment of Directors' fees for the year ended 31 December 2007. | <i>Resolution 3</i> |
| 4. To re-elect the following Directors who are retiring under Article 80 of the Articles of Association: | |
| a) Ho Siew Choong | <i>Resolution 4</i> |
| b) Yusseri Bin Said | <i>Resolution 5</i> |
| c) Ho Siew Weng | <i>Resolution 6</i> |
| 5. To re-appoint Messrs Deloitte & Touche as the Company's Auditors and to authorise the Board of Directors to fix their remuneration. | <i>Resolution 7</i> |

SPECIAL BUSINESS:

- | | |
|--|---------------------|
| 6. To consider and, if thought fit, pass with or without modifications, the following Ordinary Resolution: | <i>Resolution 8</i> |
|--|---------------------|

Ordinary Resolution

- **Authority to Directors to Allot and Issue Shares Pursuant to Section 132D of the Companies Act, 1965**

"**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum of the issued and paid-up share capital of the Company for the time being, subject always to the approvals of the relevant regulatory authorities."

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Annual Report 2007

ANY OTHER BUSINESS:

7. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

Resolution 9

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a First and Final Dividend of 0.5 sen per share less 26% Income Tax in respect of the financial year ended 31 December 2007 will be payable on 26 July 2008 to Depositors registered in the Record of Depositors at the close of business on 11 July 2008.

A Depositor shall qualify for entitlement only in respect of:

- a. Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 11 July 2008 in respect of ordinary transfers; and
- b. Share bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

NG YIM KONG (LS 0009297)
WONG YOUN KIM (MAICSA 7018778)
Company Secretaries

Petaling Jaya
27 May 2008

Notes:

1. *A member of the Company entitled to attend and vote at the Meeting may appoint a proxy or proxies (or being a corporate member, a corporate representative) to attend and vote in his stead. A proxy may but need not be a member of the Company.*
2. *Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*
3. *The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney or by an officer duly authorised.*
4. *The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or executed must be deposited at the Company Secretary's Office at Strategy Corporate Secretariat Sdn. Bhd., Unit 07-02, Level 7, Menara Luxor, 6B Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Annual Report 2007

5. *Explanatory Notes on Special Business*

Resolution pursuant to Section 132D of the Companies Act, 1965

The Ordinary Resolution proposed under item 6, if passed will give the Directors of the Company from the date of the above Meeting, authority to allot and issue ordinary shares for the unissued capital of the Company for such purposes as the Directors consider would be in the best interest of the Company. This authority will, unless revoked or varied by the Company in General Meeting, expire at the next Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1) The Director who are standing for re-election at the Fourth Annual General Meeting are as follows:

- i. Mr. Ho Siew Choong
- ii. Encik Yusseri Bin Said
- iii. Mr. Ho Siew Weng

The profiles of the Directors who are standing for re-election are set out in page 4 to page 6 of this Annual Report.

2) The details of attendance of the Directors of the Company at Board of Directors' Meeting held during the financial year ended 31 December 2007 are disclosed in the Corporate Governance Statement set out in page 15 of this Annual report.

3) The details of the Fourth Annual General Meeting are as follows:

Place : Bukit Jalil Golf & Country Resort, Perdana Room 3,
Jalan 3/155B, Bukit Jalil, 57100 Kuala Lumpur.

Date : Wednesday, 18 June 2008

Time : 8.30 a.m.

Fourth Annual General Meeting

I/We, _____
of _____
being a member/members of **TEX CYCLE TECHNOLOGY (M) BERHAD** hereby appoint* the Chairman of the meeting
or _____
of _____
or failing whom _____
of _____

as my/our Proxy(ies) to vote for me/us and on my/our behalf at the Fourth Annual General Meeting of the Company to be held at 8.30 a.m. on 18 June 2008 at the Bukit Jalil Golf & Country Resort, Perdana Room 3, Jalan 3/155B, Bukit Jalil, 57100 Kuala Lumpur and at any adjournment thereof.

*My/*Our proxy(ies) is/are to vote as indicated below:-

	Resolutions		For	Against
ORDINARY BUSINESS				
1.	To receive the Audited Financial Statements for the year ended 31 December 2007 together with the Directors' and Auditors' Reports thereon.	<i>Ordinary Resolution 1</i>		
2.	To declare a First and Final Dividend of 0.5 sen per share less 26% Income Tax in respect of the financial year ended 31 December 2007.	<i>Ordinary Resolution 2</i>		
3.	To approve the payment of Directors' fees for the year ended 31 December 2007.	<i>Ordinary Resolution 3</i>		
4.	To re-elect the following Directors who are retiring under Article 80 of the Company's Articles of Association:- a) Mr. Ho Siew Cheong b) Encik Yusseri Bin Said c) Mr. Ho Siew Weng	<i>Ordinary Resolution 4</i> <i>Ordinary Resolution 5</i> <i>Ordinary Resolution 6</i>		
5.	To re-elect Mr. Deloitte & Touche as the Company's Auditors and to authorise the Board of Directors to fix their remuneration.	<i>Ordinary Resolution 7</i>		
SPECIAL BUSINESS				
6.	Authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.	<i>Ordinary Resolution 8</i>		

[Please indicate with (X) how you wish your vote to be casted. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion]

Dated thisday of.....2008

Number of ordinary shares held :

Signature/Common Seal of Shareholder(s)

Please fold here

STAMP

The Company Secretary
TEX CYCLE TECHNOLOGY (M) BERHAD (642619-P)
Unit 07-02, Level 7, Menara Luxor
6B Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan

Please fold here



TEX CYCLE TECHNOLOGY (M) BERHAD

No. 8, Jalan TPK 2/3, Taman Perindustrian Kinrara,
47100 Puchong, Selangor Darul Ehsan.

Tel: 03 8076 3816/19/21/23 Fax: 03 8076 3817

e-mail: texcycle@po.jaring.my

www.texcycle.com.my