

# *Annual Report* '15



**TEX  CYCLE**

**Tex Cycle Technology (M) Berhad**

(642619-P)

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## Board Of Directors

Ho Siew Choong, Executive Chairman  
Periasamy Sinakalai, Managing Director  
Ho Siew Cheong, Executive Director  
Ho Siew Weng, Executive Director  
Razali Bin Jantan, Independent Non-Executive Director  
Ravi Markandu, Senior Independent Non-Executive Director  
Alagasan Varatharajoo, Independent Non-Executive Director

## Auditors

Messrs Deloitte (AF: 0080), Chartered Accountants

## Company Secretary

Wong Youn Kim (MAICSA 7018778)

## Principal Banker

Public Bank Berhad (6463-H)

## Share Registrar

Symphony Share Registrars Sdn. Bhd. (378993-D)  
Level 6, Symphony House,  
Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46  
47301 Petaling Jaya, Selangor Darul Ehsan  
Tel : 03-7841 8000  
Fax : 03-7841 8008

## Registered Office

c/o HMC Corporate Services Sdn. Bhd.  
Level 2, Tower 1, Avenue 5  
Bangsar South City, 59200 Kuala Lumpur  
Tel : 03-2241 5800  
Fax : 03-2282 5022

## 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](mailto:texcycle@po.jaring.my)  
Website : [www.texcycle.com.my](http://www.texcycle.com.my)

## Stock Exchange Listing

ACE Market of Bursa Malaysia Securities Berhad  
Stock Name: Texcycl, Stock Code: 0089

# DIRECTORS' PROFILE

Tex Cycle Technology (M) Berhad

**HO SIEW CHOONG**  
**Executive Chairman**  
**64 years of age, Malaysian**

Ho Siew Choong was appointed to the Board of Tex Cycle Technology (M) Berhad ("Tex Cycle Technology") on 13 May 2005. He obtained a Diploma in 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 ("Metro-Engravers") and was involved in all areas of business management such as Human Resource, Finance, Marketing, Research and Development, Sales and Distribution. He was appointed Chairman of Metro-Engravers in 2000. He is the person responsible for advancing Metro-Engravers to a highly advanced field of pre-print electronic system. He was appointed as a Director in Tex Cycle Sdn. Bhd. ("Tex Cycle") in 1995 and has since been involved in various aspects of Tex Cycle's business which includes Administration and Finance. He is also one of the members of Tex Cycle's Research and Development ("R&D") team which is working to enhance, improve, design & develop Tex Cycle's methods of recovery and recycling new products and services.

**PERIASAMY SINAKALAI**  
**Managing Director**  
**Member of Remuneration Committee**  
**65 years of age, Malaysian**

Periasamy 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. S. Periasamy 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 R&D team. He was awarded the Pingat Masyarakat Cemerlang (PMC) by the Yang Dipertua Negeri Sembilan on 25 October 2001. He is the member of Working Group of Malaysian Standards for Scheduled Waste (SIRIM) and is the current Secretary for the Association of Scheduled Waste Recyclers, Malaysia (ANSWERS).

**HO SIEW CHEONG**  
**Executive Director**  
**54 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 in 1987. In 1995 he founded Metro Koats and has been 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 has been appointed as the technical director of the Group and mainly be responsible for the R&D of the whole Group.

**HO SIEW WENG**  
**Executive Director**  
**59 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 on 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 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.

## **RAZALI BIN JANTAN**

**Independent Non-Executive Director**  
**Chairman of Remuneration Committee**  
**Member of Audit Committee and Nominating Committee**  
**58 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 in 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.

## **RAVI MARKANDU**

**Senior Independent Non-Executive Director**  
**Chairman of Audit Committee**  
**Member of Nominating Committee and Remuneration Committee**  
**66 years of age, Malaysian**

Ravi Markandu was appointed to the Board of Tex Cycle Technology on 1 March 2007. He is a 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 Bursa Malaysia (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 investment advisory services and through a family company, he is involved in real estate investment and property development. He is also involved in a number of not-for-profit organizations, namely a past 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.

He is also an Independent non-executive director of LTKM Berhad.

## **ALAGASAN VARATHARAJOO**

**Independent Non-Executive Director**  
**Chairman of Nominating Committee**  
**Member of Audit Committee and Remuneration Committee**  
**64 years of age, Malaysian**

Alagasan Varatharajoo was appointed to the Board of Tex Cycle Technology on 31 October 2011. He started his career as a Printing Apprentice with the New Straits Times Group in 1970. He left for England to obtain a Certificate in Photolithographic at the London College of Printing in 1973. Soon after his return to Malaysia in 1975, he joined Rajiv Printers as a Production Supervisor. In 1982 he re-joined The New Straits Times Group as a Production Supervisor and retired after twenty five years as a Senior Production Manager. He has been a member of the Institute of Printing, United Kingdom; Malaysia Branch since 1997 and at present holds the post as their Honorary Treasurer as well as a Lecturer cum Trainer for the Institute and conducts various printing courses. In addition, he's one of the Directors of Print Media Training Consult Sdn Bhd and Sole Proprietor of Alnprint Enterprise which is involved in the sales and marketing of printing consumables.

## **Additional Information on Directors**

Save 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

On behalf of The Board of Directors of Tex Cycle Technology (M) Berhad ("Tex Cycle"), I am pleased to present the Annual Report and Audited Financial Statements of the Group for the financial year ended ("FYE") 31 December 2015.

## Financial Review

The Group has gone from strength to strength since the commencement of operations of Tex Cycle (P2) Sdn Bhd in February 2014. During the FYE 31 December 2015, the Group's revenue increased by 17%, from RM22.1 million to RM25.9 million. Accordingly, the Group's profit before taxation ("PBT") increased by 51%, from RM5.3 million to RM8.1 million and profit after tax ("PAT") increased by 118%, from RM3.4 million to RM7.4 million. The increase in PAT was mainly due to the impact of the 70% tax exemption on tax payable as a result of Tex Cycle (P2) Sdn Bhd being granted pioneer status by the Malaysian Investment Development Authority (MIDA) which was explained on page 77 of this Annual Report. The increase was also due to the provision for legal claim of RM1.6 million incurred in FYE 2014.

## Dividends

A first and final single-tier tax exempt dividend of 2.5% amounting to RM426,541 was declared in the previous financial year and disclosed in the previous directors' report and paid by the Company during the financial year. As a result of share buy-back, the total final amount paid by the Company during the financial year amounted to RM422,608.

The Board had also declared an interim single-tier tax exempt dividend of 5% amounting to RM853,081 in the current financial year and paid by the Company during the financial year. As a result of share buy-back, the total final amount paid by the Company during the financial year amounted to RM844,902.

## Research & Development

Research & Development (R&D) continues to be crucial to any company's long term viability. At Tex Cycle, we are constantly looking for ways and means to protect and sustain the environment and its natural resources.

The Group has embarked on a new project which will further reduce waste generated from our processes as well as reduce the intake of fossil fuels in the operations and hence, minimising the carbon footprint generated from our operations. The project is expected to materialise within the next two years.

It is the view of Tex Cycle's Directors that capital expenditure incurred and/or to be incurred by the Group for R&D purposes is not expected to have any material financial impact on the Group.

## Corporate Responsibility

Corporate Responsibility is a continuing commitment by Tex Cycle to not only acknowledge but conduct ourselves ethically in the communities in which we operate and simultaneously contribute to economic development. We do our utmost in improving the quality of life of our employees and their families, investors, customers, suppliers as well as the local community and society at large. We aim to continually manage the impact of our operations and develop initiatives to improve our environmental footprint. By adopting simple, environmentally friendly initiatives, we anticipate to raise awareness amongst stakeholders and the wider community.

Our belief that "Charity Begins at Home" has been the impetus for us to sponsor the children of employees in need of financial assistance in their pursuit of higher education.

We continuously endeavour to help the less fortunate in various ways, one of which is providing financial assistance to patients of dialysis centres to enable them to seek the much-needed medical attention in order to have a better quality of life.

## Prospect

Tex Cycle (P2) plant, a wholly-owned subsidiary of Tex Cycle Technology (M) Berhad, had fully operationalised its production in 2015. The plant which is situated on eight and a half acres of industrial land with a built-up area of 160,800 sq. ft., located in Telok Gong, Selangor, is equipped with state of the art equipment and is now fully functional. The plant is licensed to collect and process thirty-one types of scheduled waste as awarded by The Department of Environment. Looking ahead, Tex Cycle's 2016 recycling business is anticipated to be promising.

Tex Cycle's business is expected to improve given the emphasis on heightened awareness towards environmental protection in line with Budget 2016, whereby the Government targets to reduce the intensity of greenhouse gas emissions (GHGs) to 40% of GDP in 2020 facilitated by the extension of the implementation period for the Green Technology Financing Scheme to 31 December 2017 with a fund of RM1.2 billion. The use of green technology will also ensure sustainability of the nation's natural resources.

With the current strategy of tapping into new industries and securing long term contracts, it is reasonable to expect a steady growth of business in the coming years. Moving forward, the Company will continue to look into developing better technologies and methodologies to benefit its stakeholders.

### **Appreciation and Acknowledgement**

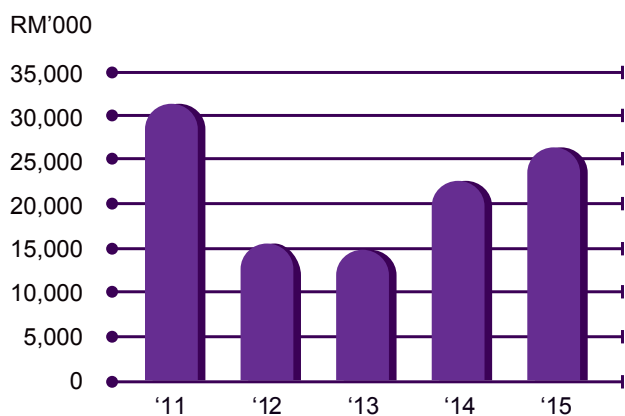
On behalf of the Board of Directors, I would like to convey my appreciation to the Management and Staff for their contribution and dedication. I also wish to take this opportunity to thank the Board of Directors for its sound governance in directing the Management throughout the year 2015. My heartfelt appreciation also goes to our Customers and Partners in business for their commitment and trust and last but not least our Shareholders for their continuous support.

HO SIEW CHOONG  
Executive Chairman  
23 March 2016

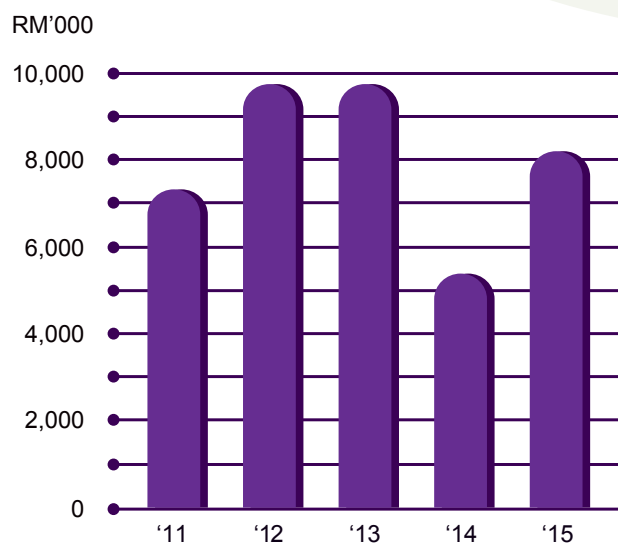
# FINANCIAL HIGHLIGHTS

FYE 31 December	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Revenue	31,172	15,073	14,930	22,134	25,945
Profit before tax	7,140	9,704	9,740	5,361	8,112
Profit after tax	4,887	7,871	8,517	3,354	7,374
Net earnings per share (sen)	2.86	4.61	5.02	1.99	4.42

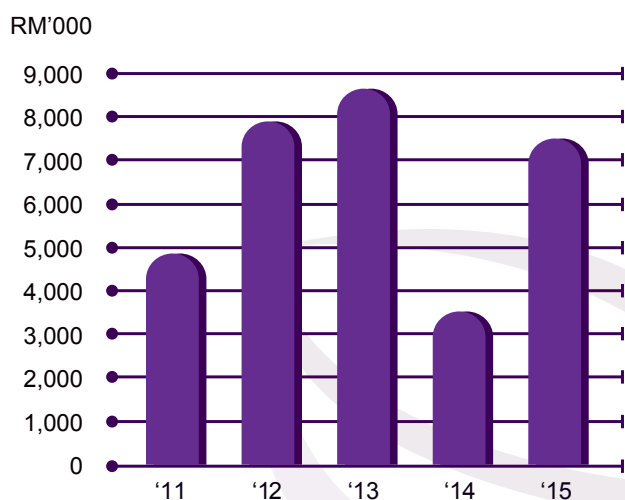
## Revenue



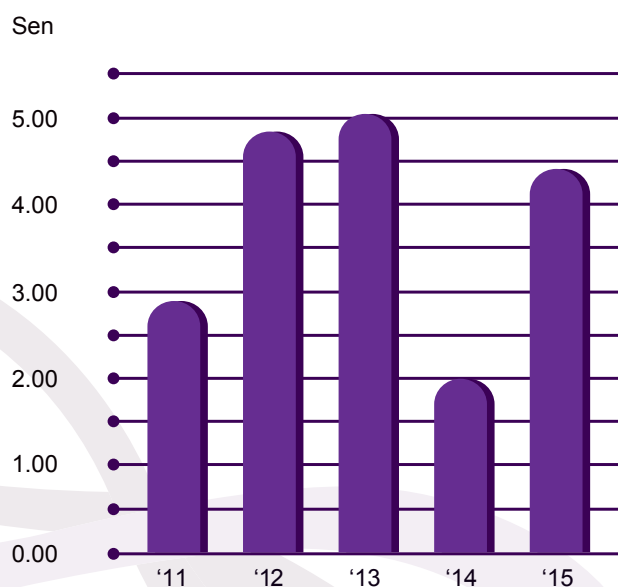
## Profit Before Tax



## Profit After Tax



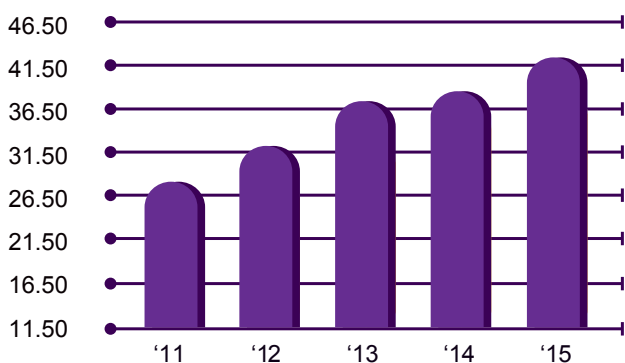
## Net Earnings Per Share



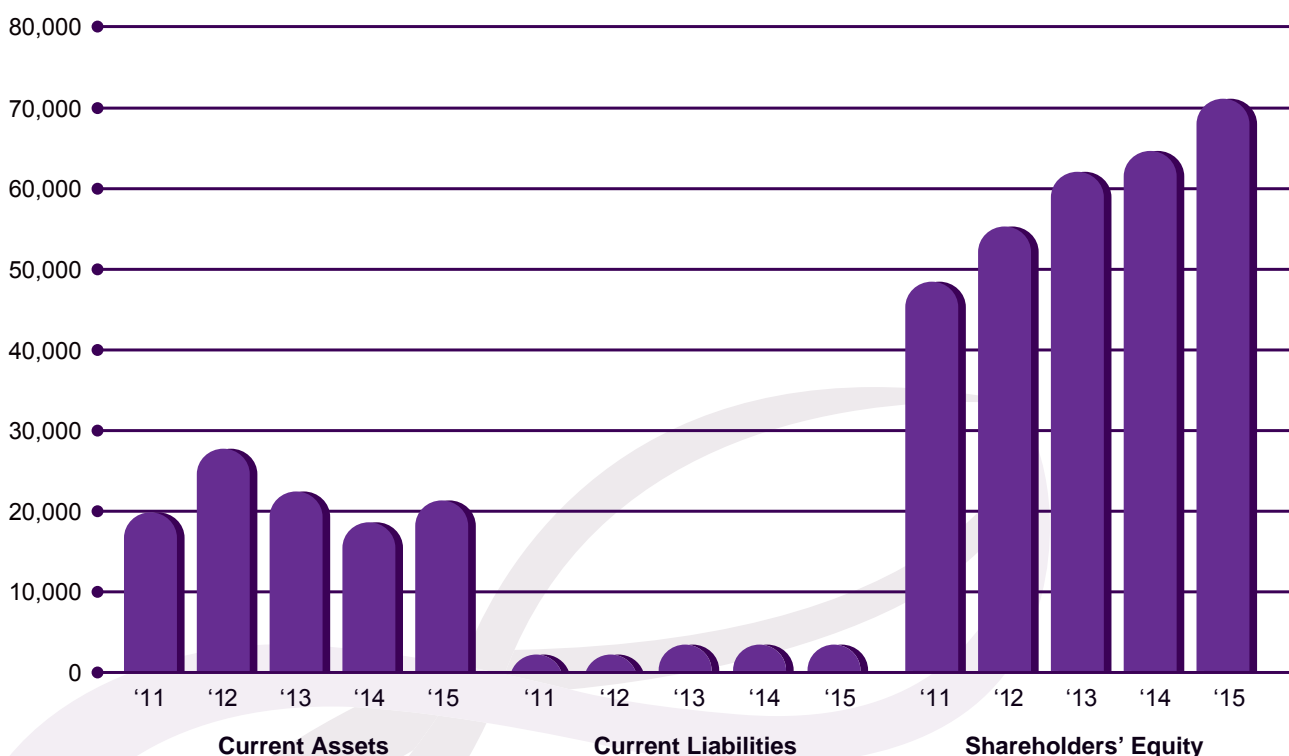


FYE 31 December	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Current assets	19,839	26,940	22,434	17,304	20,931
Current liabilities	2,052	2,495	2,646	3,297	2,598
Shareholders' equity	48,249	55,266	62,456	64,631	70,648
Net asset per share	28.25	32.36	36.57	38.13	41.80

### Net Asset Per Share



### RM'000



# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (“the Board”) of Tex Cycle Technology (M) Berhad (“Tex Cycle” or “Company”) believes that good corporate governance is fundamental to the Group’s continued success. Therefore, the Board is committed to ensuring that the highest standards of corporate governance are practised throughout Tex Cycle, as a fundamental criterion of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Company.

This statement sets out the commitment and describes how the Group has applied the principles and recommendations of the following:

1. Companies Act, 1965 (“CA 1965”);
2. Ace Market Listing Requirements (“ACE LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”);
3. Malaysian Code on Corporate Governance 2012 (“Code”); and
4. Second Edition of the Corporate Governance Guide issued by Bursa Malaysia Berhad.

## SECTION 1: THE BOARD OF DIRECTORS The Board Size and Balance

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 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.

### Duties and Responsibilities of the Board

The Board retains full and effective control over the affairs of the Company and the Group. This includes responsibility for determining the Company’s and the Group’s development and overall strategies direction which are as follows:

- a. Reviewing and providing guidance on the Company’s and the Group’s annual budgets, development of risk policies, major capital expenditures, acquisitions and disposals;
- b. Monitoring corporate performance and the conduct of the Group’s business and to ensure compliance with best practices and principles of corporate governance;
- c. Identifying and implementing appropriate systems to manage principal risks. The Board undertakes this responsibility through the Audit Committee;
- d. Reviewing and ensuring the adequacy and soundness of the Group’s financial system, internal control systems and management information system and that they are in compliance with the applicable standards, laws and regulations;
- e. Ensuring a transparent Board nomination and remuneration process including management, ensuring the skills and experiences of the Directors are adequate for discharging their responsibilities whilst the calibre of the Independent Non-Executive Directors bring independent judgement in the decision making process;
- f. Ensuring a proper succession plan is in place;
- g. Monitoring major litigation;
- h. Approving all financial reports to be published and related stock exchange announcements;
- i. Monitoring other material reporting and external communications by the Group;
- j. Approving the dividend policy and payment of dividends;
- k. Appointing external auditors (subject to shareholders’ approval); and
- l. Considering and reviewing the social, ethical and environmental impact of the Group’s activities and determining, monitoring and reviewing standards and policies to guide the Group in this regard.

The Board had appropriately delegated specific tasks to three (3) Board Committees; namely Audit Committee, Nominating Committee and Remuneration Committee. These Board Committees have wide ranging authorities and make recommendations to the Board which holds the ultimate responsibility.

### Succession Plan

It is the responsibility of the Remuneration Committee to determine a fair remuneration package for the directors, with the main purpose to attract and retain the right candidates. As part of the succession plan, the Managing Director and Senior Management are encouraged to identify and to train potential subordinates in order to prepare them for larger responsibilities within the Group.

# STATEMENT ON CORPORATE GOVERNANCE

## Ethical Standards, the Codes and Policy

The Company is still in the midst of developing a Directors' Code of Conduct ("The Directors' Code"). The directors are expected to conduct themselves with the highest ethical standards and professionally at all times to promote and protect the reputation and performance of the Company. The Directors' Code would cover the principles of conflict of interest, insider dealings, integrity, compliance with laws etc.

## Supply of Information

All directors are given complete and timely information before each Board Meeting to be convened together with an agenda and a set of Board papers. Board papers are circulated in sufficient time to enable directors to obtain further explanation, if necessary, in order to be properly briefed before each meeting.

At least four (4) Board Meetings are held annually, each meeting being scheduled to be held within two (2) months after each quarter to consider the quarterly financial results and to review operational performance. Additional meetings are convened as and when necessary.

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. The Company Secretary provides guidance to the Board on matters pertaining to the Board's responsibilities in order to ensure that they are effectively discharged within relevant legal and regulatory requirements. This includes updating the Board on the ACE LR, CA 1965, the Code and other regulatory developments and their impact on the Group and its businesses.

The Company Secretary or his/her representative(s) attends all Board meetings and Board Committee meetings where he or his representative(s) records and circulates the minutes of the meetings. He/she is also responsible for the safekeeping of the minutes by ensuring that they are kept at the registered office of the Company and are available for inspection, if required.

## Board Meetings

Board Meetings are scheduled for every quarter with additional meetings to be convened as and when required. During the financial year under review, the Board met a total of five (5) times. The attendance of the Directors who held office during the financial year is set out below:

Name of Directors	Attendance at meeting	Percentage of Attendance
<b>Executive Directors</b>		
Ho Siew Choong	5/5	100%
Periasamy Sinakalai	5/5	100%
Ho Siew Cheong	5/5	100%
Ho Siew Weng	5/5	100%
<b>Non-Executive Directors</b>		
Razali Bin Jantan	5/5	100%
Ravi Markandu	5/5	100%
Alagasan Varatharajoo	5/5	100%

## Company Secretary

The Board is currently supported by a qualified and competent Company Secretary in ensuring that Board procedures are followed and the applicable rules and regulations for the conduct of the affairs of the Board are complied with. The Company Secretary also plays an important role as a gatekeeper of corporate governance. All Board Members, particularly the Chairman, have unrestricted access to the advice and services of the Company Secretary for the purposes of the Board's affairs and the business.

The appointment or removal of the Company Secretary of the Board shall be the prerogative of the Board as a whole.

# STATEMENT ON CORPORATE GOVERNANCE

## Board Charter

The Company has formalised and adopted a Board Charter which sets out a list of specific roles and functions which are reserved to the Board and other matters that are important for good corporate governance. The Board Charter is accessible through the Company's website at [www.texcycle.com.my](http://www.texcycle.com.my) and will be reviewed annually to ensure it remains consistent with the Board's objectives, responsibilities and practices.

## Composition of Members

The Board currently has seven (7) members, consisting of an Executive Chairman, a Managing Director, two (2) Executive Directors and three (3) Independent Non-Executive Directors.

The Company complies with the criteria of Bursa Securities' ACE LR of ensuring that at least two (2) directors or one-third (1/3) of the Board of Directors, whichever is the higher, are independent directors.

The profiles of each of the Directors are presented on pages 3 to 4 of this Annual Report.

The current composition of the Board is well balanced with the presence of Independent Non-Executive Directors of the necessary calibre to carry sufficient weight in the Board's decision-making process. All Independent Non-Executive Directors are independent of management duties and they do not have any family relationship with any of the other Board members which could interfere with their exercise of independent judgement during the decision-making process of the Board or the ability to act in the best interest of the Company and its shareholders.

Notwithstanding that the Executive Chairman is not an Independent Non-Executive Director, the Board believes that the interests of the shareholders and the Company are protected by the strong presence of three Independent Directors on the Board who neither have any family relationship with any Director and/or major shareholder of the Company nor have any conflict of interest with any company within the Group.

On 16 April 2015, the Board had appointed Mr. Ravi Markandu as the Senior Independent Non-Executive Director of the Board.

## Appointment of Directors

The Nominating Committee is responsible for recommending to the Board suitable candidate(s) for appointment as new Directors. In making these recommendations, factors such as mix of skills, experience, expertise, gender and contribution to the Company will be considered before the recommendation for appointment of the proposed candidate is put forward to the Board for consideration and approval.

In line with the Code, the independence of the Board members is reviewed annually. The Code recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. The Board must justify and seek shareholders' approval at the annual general meeting in the event that it intends to retain the person who has served in the capacity as independent director for more than nine (9) years.

## Re-election of Directors

In accordance with the Company's Articles of Association and in compliance with the Listing Requirements, all Directors are required to retire from office once at least every three (3) years, and shall be eligible for re-election. The Articles of Association also require that at least one third (1/3) of the Board of Directors shall retire at each Annual General meeting and may offer themselves for re-election. Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the CA 1965.

## Board Mix and Skills

The Board believes that the current composition and size is adequate for it to discharge its duties and responsibilities effectively and competently. At least once a year, the Nominating Committee will review the mix of skills, knowledge, experience and independence of its members.

# STATEMENT ON CORPORATE GOVERNANCE

## Annual Assessment of Independence

The Company has three (3) independent directors. All independent directors have provided an annual confirmation of their independence to the Board. During the financial year under review, the Board had assessed the contribution and performance of the Independent Non-Executive Directors. The independence assessment shall be performed on an annual basis.

During the FYE 2015, the Board was satisfied that none of the independent directors had any relationships that could materially interfere with, or be perceived to materially interfere with their unfettered and independent judgement and ability to act in the best interest of the Company.

## Tenure of Independent Directors

The Board adopted the Code's recommendation on the tenure of an Independent Non-Executive Director which shall not exceed a cumulative term of nine (9) years. Under the Code, upon completion of nine (9) years of service, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. However, subject to the assessment of the Board and the shareholders' approval in the annual general meeting an independent director may continue to serve as an independent director after serving a cumulative term of nine (9) years.

In FYE 2014, with the approval of shareholders in the annual general meeting, one of the Company's Independent Non-Executive Directors, Encik Razali Bin Jantan, who had served more than nine years as an Independent Non-Executive Director, was retained to continue to serve the Board as an Independent Non-Executive Director.

Encik Razali Bin Jantan and Mr. Ravi Markandu are the two (2) Independent Non-Executive Directors who have served on the Board for more than nine (9) years. The Board intends to seek shareholders' approval at the forthcoming Annual General Meeting to retain Encik Razali Bin Jantan and Mr. Ravi Markandu as Independent Non-Executive Directors for the ensuing year.

## Separation of positions of the Chairman and the Managing Director

To ensure balance of power and authority, accountability and independent decision making, the roles of the Chairman and the Managing Director are distinct and separated.

The Executive Chairman, Mr Ho Siew Choong was appointed after taking into account his vast experience in areas of business management such as Human Resource, Finance, Marketing, Research and Development, Sales and Distribution. The Chairman is responsible for leadership, ensuring effective functioning of the Board and providing oversight over the operations of the Group.

The Managing Director supported by the Executive Directors, is responsible for the day-to-day management of the operations of the Group, implementation of the Group's policies, business direction and development of the Group.

## SECTION 2: COMMITTEES OF THE BOARD

The Board has delegated certain responsibilities to several Committees, which operate within the clearly defined terms of reference. The Chairman of the various committees will report the outcome of the committee meetings to the Board and such reports are incorporated in the minutes of meeting. The various Committees are as follows:

Committee	Chairperson
Audit Committee	Ravi Markandu
Nominating Committee	Alagasan Varatharajoo
Remuneration Committee	Razali Bin Jantan

# STATEMENT ON CORPORATE GOVERNANCE

## Audit Committee

The Audit Committee was established on 22 July 2005, comprising three (3) Independent Non-Executive Directors. The composition, responsibilities, detailed terms of reference and the activities of the Audit Committee during the financial year are set out separately in the Audit Committee Report on pages 19 to 21 of this Annual Report.

## Nominating Committee

The Nominating Committee was established on 19 December 2005. The Nominating Committee is responsible for reviewing the appropriate Board balance and size as well as ensuring that the Board possesses the required mix of skills, expertise, gender and experience. The Nominating Committee shall conduct a review of the mix of skills, experience and other core competencies of the Board on an annual basis. The Nominating Committee Report is set out separately on pages 22 to 24 of this Annual Report.

- **Alagasan Varatharajoo**  
Chairman, Independent Non-Executive Director
- **Ravi Markandu**  
Member, Senior Independent Non-Executive Director
- **Razali Bin Jantan**  
Member, Independent Non-Executive Director

## Remuneration Committee

In line with the Best Practices of the Code, the Board has set up a Remuneration Committee on 19 December 2005 to assist the Board in determining the Executive Directors' remuneration. The Remuneration Committee meets at least once a year. The members of the Remuneration Committee who served during the financial year are as follows:

- **Razali Bin Jantan**  
Chairman, Independent Non-Executive Director
- **Ravi Markandu**  
Member, Senior Independent Non-Executive Director
- **Periasamy Sinakalai**  
Member, Managing Director
- **Alagasan Varatharajoo**  
Member, Independent Non-Executive Director

The respective Committees report to the Board on matters considered and their recommendations thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

## Directors' Remuneration

The Company's remuneration policy for Directors is formulated to attract and retain individuals of the necessary calibre relevant to the achievement of the Company's strategic objectives. The remuneration is structured to link experience, expertise and level of responsibility undertaken by the Directors.

The Remuneration Committee is entrusted with the responsibilities to make recommendations on the remuneration package for the Executive Directors to the Board. It is the ultimate responsibility of the entire Board to approve the remuneration of these Directors. Non-Executive Directors' remuneration will be decided by the Board as a whole with the Director concerned abstaining from deliberation and voting on decisions in respect of his individual remuneration. The details of the remuneration of the Directors of the Company comprising remuneration received/ receivable from the Company and subsidiary companies during the FYE 2015 are as follows:



# STATEMENT ON CORPORATE GOVERNANCE

Aggregate Remuneration categorized into appropriate components:

	Fees (RM)	Salaries and Allowances, inclusive of EPF contributions (RM)	Bonus (RM)	Benefit in-kind (RM)	Total (RM)
Executive Directors	60,000	1,689,920	248,000	-	1,997,920
Non-Executive Directors	107,000	28,800	-	-	135,800
<b>Total</b>	<b>167,000</b>	<b>1,718,720</b>	<b>248,000</b>	<b>-</b>	<b>2,133,720</b>

## Remuneration Bands

Range of Remuneration	Executive Directors	Non- Executive Directors	Total
RM1-RM50,000	-	3	3
RM50,001-RM100,000	-	-	-
RM10,0001-RM150,000	-	-	-
RM150,001-RM200,000	-	-	-
RM200,001-RM250,000	-	-	-
RM250,001-RM300,000	-	-	-
RM300,001-RM350,000	1	-	1
RM350,001-RM400,000	-	-	-
RM400,001-RM450,000	-	-	-
RM450,001-RM500,000	1	-	1
RM500,001-RM550,000	-	-	-
RM550,001-RM600,000	2	-	2
<b>Total</b>	<b>4</b>	<b>3</b>	<b>7</b>

## Directors' Training and Education

All Directors appointed to the Board have attended the Mandatory Accreditation Programme prescribed by Bursa Securities. The Board has also completed other relevant training programmes to further enhance their business acumen and professionalism in discharging their duties to the Group. During the year, some Directors have pursued relevant courses and seminars to keep abreast with industry, regulatory and compliance issues, trends and best practices.

# STATEMENT ON CORPORATE GOVERNANCE

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

Directors	Seminar / Conference / Workshop
Ho Siew Choong	Focus Group Session on Strengthening Corporate Governance (“CG”) Disclosure amongst the Listed Issuers
	Affin Hwang Asset Management Investment Forum 2015
Periasamy A/L Sinakalai	Workshop on amendments to the Environment Quality Act (Scheduled Waste) 2015
Ho Siew Weng	Affin Hwang Asset Management Investment Forum 2015
	CG Breakfast Series with the Directors. “The Board’s Response in Light of Rising Shareholder Engagements”
Ho Siew Cheong	CG Breakfast Series with the Directors. “The Board’s Response in Light of Rising Shareholder Engagements”
Ravi Markandu	KPMG - Trouble in the Boardroom
	Audit Committee Seminar - MIA / IA (Training)
	Focus Group Session on Strengthening Corporate Governance (“CG”) Disclosure amongst the Listed Issuers
	View from the Boardroom Webinar
	ICAEW - Professional Ethics and Integrity
	CG Breakfast Series with the Directors. “The Board’s Response in Light of Rising Shareholder Engagements”
	Corporate Governance Breakfast Series - How to Maximise Internal Audit
Razali Bin Jantan	Enforcement of Latest Bursa Revamp Listing Requirements
Alagasan Varatharajoo	Enforcement of Latest Bursa Revamp Listing Requirements

## Boardroom Diversity

The Board currently does not have a formal policy on its boardroom or gender diversity. The evaluation and selection criteria of a Director are very much dependent on the effective blend of knowledge, skills, competencies, experiences and time commitment of the new Board member. Nonetheless, the Board is supportive of gender diversity in the Boardroom composition as recommended by the Code and will endeavour to consider suitable and qualified female candidates for appointment to the Board.

## Annual Assessment

The Board, through the Nominating Committee, undertakes the process to assess the effectiveness and performances of each individual Director annually. The assessment is based on each Director’s contribution to interaction, roles and duties, personal attributes, attendance record and training activities attended.

During the financial year, the Board concluded that each Director carries the requisite competencies and capabilities to serve the Board and was satisfied that the Board members have discharged their duties and responsibilities effectively with the current composition and size of the Board.

# STATEMENT ON CORPORATE GOVERNANCE

## SECTION 3: SHAREHOLDERS

### Dialogue with Investors

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

- Annual Report;
- The various disclosures and announcements made to Bursa Securities including the Quarterly Reports;
- Annual Financial Statement;
- Latest announcements via Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com); and
- The Group's website at [www.texcycle.com.my](http://www.texcycle.com.my).

### Annual General Meeting ("AGM")

Notice of AGM which is contained in this Annual Report is sent out at least twenty-one (21) days prior to the date of the meeting. There is a commentary by the Chairman at the AGM regarding the Company's performance for each financial year and a brief review on current business conditions. At each AGM a platform is available to shareholders to participate in the question and answer session. Extraordinary General Meetings are held when required.

## SECTION 4: ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Directors are responsible to ensure that financial statements prepared are drawn up in accordance with the provisions of the Companies Act 1965, Malaysian Financial Reporting Standards and International Financial Reporting Standards. In presenting the financial statements, the Company had used appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates.

The quarterly results were reviewed by the Audit Committee and approved by the Board before being released to Bursa Securities. By presenting the quarterly results and financial statements, the Company is mindful of the necessity to present a balanced assessment of the Group's financial position. The details of the Company and the Group's financial statements for the financial year ended 31 December 2015 can be found on pages 44 to 103 of this Annual Report.

### Risk Management and Internal Control

Information on the Group's risk management and internal control is presented in the Statement on Risk Management and Internal Control on pages 25 to 27 of this Annual Report.

### Relationship with the Auditors

The Board via the Audit Committee maintains an appropriate and transparent relationship with the Group's external auditors. The Audit committee meets with the external auditors at least twice a year to review audit plans and to facilitate exchange of views on issues requiring attention. In addition, the Audit Committee meets with the external auditors at least twice a year without the presence of the management. The role of the Audit Committee in relation to the auditors is described in the Audit Committee Report set out on pages 19 to 21 of this Annual Report.

### Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and the provisions of the Act. The Board is responsible to take reasonable steps to ensure that the financial statements give a true and fair view of the state of affairs of the Group and the Company, and of their results and cash flows for the financial year then ended.

# STATEMENT ON CORPORATE GOVERNANCE

In preparing the financial statements of the Group and the Company for the financial year ended 31 December 2015, the Board has:

- adopted suitable accounting policies and applied them consistently;
- where applicable, made judgements and estimates that are reasonable and prudent; and
- ensured that applicable approved accounting standards have been followed.

The Directors have ensured that the Group and Company keep proper accounting and other records that will disclose with reasonable accuracy at any time the financial position of the Group and the Company, and which enables them to ensure that the financial statements comply with the Act and the applicable approved accounting standards.

## Corporate Responsibility (“CR”)

The Group is mindful of the need to be corporately responsible and recognise that for long term sustainability, its strategic orientation will need to look beyond financial parameters. Hence, the Group supports important causes such as employees’ welfare, community and environment protection. However, the Group endeavours to broaden its scope of CR initiatives over time and will plan accordingly.

The year 2015 saw us undertaking several impactful CR activities. Our efforts are presented on pages 33 to 42 of this Annual Report.

## Whistle Blowing Policy

Following the introduction of the Whistleblower Protection Act, 2010, the Board has formalised its whistle-blowing policy to report on illegal or unethical practices. The Whistle Blowing Policy will be uploaded to the Company’s website at [www.texcycle.com.my](http://www.texcycle.com.my).

## Compliance with Best Practices

The Board is satisfied that the Company has, in all material aspects, complied with most of the principles of the Code and will continue to adopt the principles and recommendations of the Code. This Statement was approved by the Board on 23 March 2016.

## ADDITIONAL COMPLIANCE INFORMATION

The following disclosures are made in accordance with Part A of Appendix 9C of the Listing Requirements of Bursa Malaysia Securities Berhad:-

### Status of Utilisation of Proceeds

There were no corporate proposals involving the raising of funds during the financial year ended 31 December 2015.

### Share Buy-back

During the year, the Company purchased 151,600 units of its own shares through purchases on Bursa Malaysia Securities Berhad. The total amount paid for acquisition of the shares was RM89,070 and it has been deducted from equity. The repurchased shares were financed by internally-generated funds and the average price paid for the shares was 57 sen per share. The repurchased shares are held as treasury shares in accordance with Section 67A of the Companies Act, 1965. The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 16 June 2015, renewed their approval for the Company’s plan to repurchase its own shares.

# STATEMENT ON CORPORATE GOVERNANCE

Details of the Company's repurchased issued shares from the open market are as follows:

Month	Number of shares	Highest Price (RM)	Lowest Price (RM)	Average Price (RM)	Value of shares (RM'000)
January 2015	44,000	0.50	0.50	0.50	22
April 2015	24,600	0.55	0.55	0.55	13
July 2015	25,000	0.50	0.50	0.50	12
August 2015	38,000	0.50	0.48	0.49	18
December 2015	20,000	1.13	1.13	1.13	23

As at 31 December 2015, the cumulative total number of shares repurchased was 1,832,700 (2014: 1,681,100).

Of the total 170,793,000 (2014: 170,793,000) issued and fully paid ordinary shares as at 31 December 2015, 1,832,700 (2014: 1,681,100) are held as treasury shares by the Company. As at 31 December 2015, the number of outstanding ordinary shares in issue and fully paid is therefore 168,960,300 (2014: 169,111,900) of RM0.10 each.

## Options, Warrants or Convertible Securities

There was no exercise of Options or Convertible Securities or conversion of warrants during the financial year ended 31 December 2015.

## American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

The Company did not sponsor any ADR or GDR programmes during the financial year ended 31 December 2015.

## Imposition of Sanctions/ Penalties

There were no material sanctions or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year ended 31 December 2015.

## Non-Audit Fees

The amount of non-audit fees paid and payable to external auditors by the Group for the financial year ended 31 December 2015 amounted to RM5,000.

## Variation in Results

There was no material variance between the financial results and the profit forecast or unaudited results previously made for the financial year ended 31 December 2015.

## Profit Guarantee

There was no profit guarantee given by the Company during the financial year ended 31 December 2015.

## Material Contracts

There were no material contracts outside the ordinary course of business entered into by the Company and its subsidiaries involving Director's and major shareholder's interest which were still subsisting at the end of the financial year ended 31 December 2015 or entered into since the end of the previous financial year.

## Profit Forecast Variance

There was no profit forecast issued in respect of the financial result ended 31 December 2015.

## Non-Observance of Malaysian Code on Corporate Governance 2012

There was no non-observance of the Malaysian Code on Corporate Governance for the financial year ended 31 December 2015.

# AUDIT COMMITTEE REPORT

The Board of Directors of the Group is pleased to present the Audit Committee Report for the financial year ended 31 December 2015.

## 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.

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 Bursa Malaysia Securities Berhad ("Bursa Securities").

The Audit Committee of the Group comprises the following members:

### Chairman

Ravi Markandu  
*Senior Independent Non-Executive Director*

### Members

Razali Bin Jantan  
*Independent Non-Executive Director*

Alagasan A/L Varatharajoo  
*Independent Non-Executive Director*

The Audit Committee comprises three (3) Non-Executive Directors, all of whom are Independent Directors. The Chairman of the Audit Committee, Mr. Ravi Markandu is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants.

The composition of the Audit Committee and the qualification of the members comply with Paragraph 15.09 (1) of the ACE Market Listing Requirement of Bursa Securities ("ACE LR").

## MEETINGS AND MINUTES

Meetings shall be held not less than four (4) times a year, and will normally be attended by chief financial officer, financial controller 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 and internal auditors at least twice a year without the presence of executive members of the Board.

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.

During the year, the Audit Committee held a total of five (5) meetings. The chief financial officer, financial controller, internal auditors and external auditors, have been invited to attend the Audit Committee meetings to present their audit plans and their subsequent findings.



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

Committee Members	Meeting Attendance
Razali Bin Jantan	5/5
Ravi Markandu	5/5
Alagasan A/L Varatharajoo	5/5

## 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 Audit Committee is also authorised by the Board to obtain external legal or other independent professional advice as necessary in the discharge of its duties.

## INTERNAL AUDIT FUNCTION

The Company has appointed Messrs. Smart 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 systems and state of internal controls of the Company.

The internal audit fee incurred for the FYE 31 December 2015 was RM15,000 (2014: RM15,000).

## SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The main activities undertaken by the Audit Committee during the FYE 31 December 2015 included the following:

- a) 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 Securities;
- b) Reviewed with external auditors on their audit planning memorandum on the statutory audit of the Group for the FYE 31 December 2015;
- c) 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;
- d) Reviewed the internal audit plan;
- e) 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;
- f) Reviewed the effectiveness of the Group’s system of internal control;
- g) Reviewed related party transactions and conflict of interest situations that may arise within the Company or the Group;
- h) Reviewed the Company’s compliance with the ACE LR, applicable Approved Accounting Standards and other relevant legal and regulatory requirements;
- i) Reported to the Board on its activities and significant findings and results;
- j) Met with the external auditors twice during the year without the presence of any executive board members or management; and
- k) Met with the internal auditors twice during the year without the presence of any executive board members or management.

# AUDIT COMMITTEE REPORT

## 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; and
  - review and approve any appointment or termination of senior staff members of the internal audit function.
- 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; and
  - incidences of fraud and material litigation, if any.
- f) To review any related party transactions and conflict of interest situations 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 the resignation or dismissal of external auditors;
- i) To review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for reappointment; and
- j) 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 ACE LR.

# NOMINATING COMMITTEE REPORT

The Board, through the Nominating Committee, ensures that it recruits to the Board only individuals' of sufficient calibre, knowledge and experience to fulfil the duties of a director appropriately.

The Nominating Committee consists of three (3) Independent Non-Executive Directors and its Chairman is an Independent Non-Executive Director appointed by the Board.

The Nominating Committee currently comprise of the following:

## Chairman

Alagasan A/L Varatharajoo  
Independent Non-Executive Director

## Members

Ravi Markandu  
Senior Independent Non-Executive Director

Razali Bin Jantan  
Independent Non-Executive Director

## Objectives

The primary objective of the Nominating Committee is to act as a committee of the Board to assist in discharging the Board's responsibilities in: -

- (a) assessing each of the existing directors' ability to contribute to the effective decision making of the Board;
- (b) identifying, appointing and orientating new directors;
- (c) reviewing the mix, skills and experience and other qualities (including gender, age and ethnicity) the Board requires for it to function independently and efficiently;
- (d) membership of the Audit and Remuneration Committees and any other Board Committees as appropriate, in consultation with the chairmen of those committees;
- (e) assessing and evaluating the effectiveness of the Board as a whole and the board committees, assessing the performance of independence of Independent Non-Executive Directors and Chief Executive Officer/ Managing Director;
- (f) identifying and recommending directors who are to be put forward for retirement by rotation in accordance with the Company's Articles of Association; and
- (g) Identifying and recommending nominee for appointment of Senior Independent Director.

## Composition

The terms of reference ("Terms") of the Nominating Committee provides that the Board shall appoint members to the Nominating Committee from amongst its member. The Nominating Committee shall comprise exclusively of Non-Executive Directors with at least three (3) members. Majority of the members of the Nominating Committee shall be independent. The Chairman of the Nominating Committee shall be an Independent Non-Executive Director appointed by the Board.

In the absence of the Nominating Committee Chairman, the remaining members present shall elect one of them to chair the meeting.

## Meeting and Quorum

The Nominating Committee shall meet whenever there is a need for the Committee to perform its function, and at least once every year in carrying out an annual review of the Board, its Committees and the contribution of individual Directors to the Company. A member may at any time and the Secretary shall on the requisition of a director summon a meeting of the Nominating Committee. The quorum necessary for a meeting of the Nominating Committee shall be two (2) members.

Questions arising at any meeting of Nominating Committee shall be decided by a majority of votes and a determination by a majority of members shall for all purposes be deemed a determination/ decision of the Nominating Committee.

In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote PROVIDED THAT where two (2) members form a quorum. The Chairman of the meeting at which only such a quorum is present, or at which only two members are competent to vote on the issue in question, shall not have a casting vote.

# NOMINATING COMMITTEE REPORT

## Reporting procedures

Minutes of the Nominating Committee's meetings shall be kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary), and such minutes shall be available for inspection at any reasonable time on reasonable notice by any Director.

Minutes of meetings of the Nominating Committee shall record in sufficient detail the matters considered by the Nominating Committee and decisions reached, including any concerns raised by Directors, members or dissenting views expressed. Draft and final versions of minutes of such meetings shall be sent to all members of the Nominating Committee for their comment and records respectively, in both cases within a reasonable time after such meetings.

Without prejudice to the generality of the duties of the Nominating Committee set out in these Terms, the Nominating Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on its ability to do so.

## Responsibilities

The functions and responsibilities of the Nominating Committee are as follows:

- To make recommendations to the Board with regard to any appointment of Directors considering their skills, knowledge, education, qualities, expertise and experience; professionalism; integrity, time commitment, contribution, boardroom diversity including gender, age and ethnicity diversity and other factors that will best qualify a nominee to serve on the Board; and for the position of Independent Non-Executive Directors, the ability to discharge such responsibilities/ functions as expected;
- To consider, in making its recommendations, candidates for Directorships proposed by the Group MD/ CEO and within the bounds of practicability, by any other senior executive or any other Director or shareholder;
- To assist the Board to review regularly the Board structure, size and composition and the required mix of skills and experience and other qualities including core competencies which Non-Executive Directors shall bring to the Board;
- To assess the effectiveness of the Board, any other committees of the Board and the contributions of each individual Director, including the independence of Independent Non-Executive Directors, as well as the Group CEO (where these positions are not Board members), based on the process and procedures laid out by the Board; and to provide the necessary feedback to directors in respect of their performance;
- To ensure proper documentation of all assessments and evaluations so carried out;
- To recommend to the Board, the Directors to fill the seats on any committees of the Board. In making its recommendations, the Committee shall also consider, within the bounds of practicability, candidates proposed by any Director, Chief Executive/ Senior Executive or shareholder;
- To propose to the Board the responsibilities of non-executive directors, including membership and Chairmanship of Board Committees;
- To recommend to the Board for continuation or discontinuation in service of Directors as an Executive Director or Non-Executive Director;
- To recommend to the Board, Directors who are retiring by rotation to be put forward for re-election;
- To evaluate training needs for directors annually;
- To arrange induction programmes for newly appointed directors to familiarize themselves with the operations of the Group.
- To recommend to the Board the employment of the services of such advisers as it deems necessary to fulfil the Board's responsibilities; and
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time.

# NOMINATING COMMITTEE REPORT

## Activities of Nominating Committee

The Nominating Committee met once during the financial year and all members of the Nominating Committee attended the meeting to deliberate on the following:

- Review the current Board structure, size and composition with an aim to achieving a balance of views on the Board.
- Review and assess effectiveness of the Board as a whole, the various Board Committees as well as the contribution of each individual Director.
- Review the level of independence of Independent Directors.
- Discuss the character, experience, integrity and competence of the Directors, Managing Director or Chief Financial Officer and to ensure that they have the time to discharge their respective roles.
- Discuss on the annual retirement by rotation and re-election of Directors at the forthcoming Annual General Meeting.
- Adopting the new performance evaluation form for the Directors.
- Discuss the retention of Independent Non-Executive Directors, En. Razali and Mr. Ravi, who has each served on the Board for a cumulative period of more than 9 years.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of Directors of Tex Cycle Technology (M) Berhad is pleased to provide the following Statement on Risk Management and Internal Control which is prepared pursuant to Paragraph 15.26(b) of the Ace Market Listing Requirements of Bursa Malaysia Securities Berhad and Principle 6 of the Malaysian Code on Corporate Governance 2012, and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“the Guidelines”).

### A. Responsibility

The Board acknowledges that it is responsible for the Group’s system of internal control and for reviewing its adequacy and integrity. The system is designed to provide reasonable assurance of effective operations and compliance with laws and regulations. The Board monitors the effectiveness of the system through periodic reviews.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and as such can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has in place an on-going process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives throughout the period. This process is reviewed by the Board periodically to ensure the adequacy and integrity of the system.

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 2015.

### B. Control Environment

#### Organisation Structure

The Group has an organisation structure that is aligned to its business requirements. The internal control mechanism is embedded in the various work processes at appropriate levels in the Group. The Managing Director (“MD”) is accountable for ensuring the existence and effectiveness of internal control and provides leadership and direction to Senior Management on the manner the Group 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.

#### Internal Audit

The Internal Audit (“IA”) 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.

The IA department continues to independently, objectively and regularly review key processes, check compliance with policies/procedures, evaluate the adequacy and effectiveness of internal control, risk management and governance processes established by Management and/or the Board within the Group. It highlights significant findings and corrective measures in respect of any non-compliance to Senior Management and the Audit Committee on a timely basis. The annual audit plan, established primarily on a risk-based approach, is reviewed and approved by the Audit Committee annually. The Audit Committee oversees the IA department’s function, its independence, scope of work and resources.

The IA department also periodically reports on the activities performed and key strategic and control issues observed by IA to the BAC in order to preserve its independence. The BAC reviews and approves IA’s annual budget, audit plan and human resources requirements to ensure the function maintains an adequate number of internal auditors with sufficient knowledge, skills and experience. IA adopts the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors (IIA), the definition of Internal Auditing and Code of Ethics, Practices and Framework. In order to ensure standardisation and consistency in providing assurance on the adequacy, integrity and effectiveness of the Group’s overall system of internal controls, risk management and governance, IA has aligned its current internal audit practices with the COSO/COCO Internal Controls – Integrated Framework. Using this framework, all internal control assessments performed by IA are based on the internal control elements of scope and coverage. IA continues to adopt the risk-based audit plan to ensure the programmes carried out are prioritised based on the Group’s key risks and core/priority areas. Input from various sources inclusive of the Enterprise Risk Management (“ERM”) Framework, Business Plan, past audit issues, external auditors, Management and Board are gathered, assessed and prioritised to derive the annual audit plan.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

In 2015, reviews in various areas involving Manufacturing operations, Information Technology, Finance, Procurement, Human Resources, R & D and Subsidiaries were conducted. Key coverage areas included:

- Governance
- Operations
- Sales and marketing
- IT security management
- Procurement
- Accounting/ financial activities

All reports from the internal audit reviews carried out were submitted and presented to the Audit Committee with the feedback and agreed corrective actions to be undertaken by Management. Subsequently, the progress of these corrective actions were monitored and verified by IA on a regular basis and submitted to the Audit Committee. IA is committed to equipping the internal auditors with sufficient knowledge, skills and competencies to discharge their duties and responsibilities.

The internal audit fee incurred for the financial year ended 31 December 2015 was RM15,000.

## Quality Assurance

The IA develops and maintains a quality assurance and improvement programme that covers all aspects of internal audit activities. The quality assurance programme assesses the effectiveness of IA processes and identifies opportunities for improvement via both internal and external assessments. It has its own peer reviewer mechanism to ensure consistently good quality output of every audit engagement. The team leader is well experienced to manage the internal audit assignments.

## 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 Group.

## 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. The risk profile of the Group is established during risk mapping and assessment sessions facilitated by the external consultant. The risk responses and internal controls that the Management has taken and/or is taking are documented in the risk templates. For each of the risks identified, a risk owner is assigned to ensure appropriate risk response actions are carried out.

The Board regards risk management as an integral part of the Group's business operations and has oversight over this critical area through the Audit Committee. The Audit Committee, supported by the IA department, provides an independent assessment of the effectiveness of the Group's ERM framework and reports to the Board. The Group's ERM framework is consistent with the ERM framework and involves systematically identifying, analysing, measuring, monitoring and reporting on the risks that may affect the achievement of its business objectives. This framework helps to reduce the uncertainties surrounding the Group's internal and external environment, thus allowing it to maximise opportunities and minimise adverse incidences that may arise. The major risks to which the Group is exposed are strategic, operational, regulatory, financial, market, technological, products and reputational risks.

## GROUP'S ERM FRAMEWORK

The ERM process is based on the following principles:

- Consider and manage risks enterprise-wide;
- Integrate risk management into business activities;
- Manage risk in accordance with the Risk Management framework;
- Tailor responses to business circumstances; and
- Communicate risks and responses to Management

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

All identified risks are displayed on a 1-to-3 risk matrix based on their risk ranking to assist Management in prioritising their efforts and appropriately managing the different classes of risks. The Board and Management drive a proactive risk management culture and regular risk awareness and coaching sessions are held to ensure that the Group's employees have a good understanding and application of risk management principles. There is no dedicated ERM department, however, the MD and Chief Financial Officer ("CFO") work closely with the Group's operational managers to continuously strengthen the risk management initiatives within the Group so that it responds effectively to the constantly changing business environment and is thus able to protect and enhance shareholder value.

The Board recognises the importance of effective ERM in enhancing shareholder value while upholding a high standard of corporate governance. Combining a strong and sustained commitment from the Board and Senior Management with a clear direction and oversight from all levels of leadership, the Group embraces a holistic risk management approach to achieve its business targets with minimal surprises.

Risk management policies and practices form part of Tex Cycle's overall strategies to chart positive growth in today's rapidly evolving business environment. The Board continues to ensure that risk management is effectively institutionalised and its risk maturity level is elevated. This is achieved via a multitude of ERM initiatives clustered into key strategic areas, as part of the Group's efforts to ensure smooth ERM practice on the ground coupled with continuous tracking and monitoring of risks and controls. It also strengthens its risk culture and practice, harmonises its risks and risk appetites at the operational level wherever possible.

## Risk Structure/Accountability and Responsibility

Further improving Tex Cycle's risk governance, ERM structures have been established within each department and subsidiary. The aim is for a risk culture to be internalised through risk ownership and to drive ERM implementation at the functional level. ERM Resource Persons also known as Heads of Departments ("HODs") / Risk Coordinators (RCs), are appointed at each business unit, and act as the single point of contact to liaise directly with the Group's Chief Risk Coordinator – CFO in matters relating to ERM, including the submission of reports on a periodic basis. In addition, they are responsible for assisting their HODs to manage and administer the business units' risk portfolios, which include arranging, organising and coordinating ERM programmes.

## Assurance from the Management

The Board has received reasonable assurance from the MD and the CFO, that the Group's risk management and internal control systems are operating adequately and effectively, in all material respects, based on the risk management model adopted by the Group.

## Review of the Statement by External Auditors

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Ace Market Listing Requirements, the external auditors have reviewed this Statement on Internal Control and Risk Management. Their limited assurance review was performed in accordance with ISAE 3000, Assurance Engagements other than Audit or Reviews of Historical Financial Information and Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on their procedures performed, the External Auditors have reported to the Board that nothing has come to their attention that caused them to believe that the Statement is not prepared, in all material aspects, in accordance with the disclosures required by Paragraph 41 and 42 of the Guidelines to be set out, nor is it factually inaccurate.

## CONCLUSION

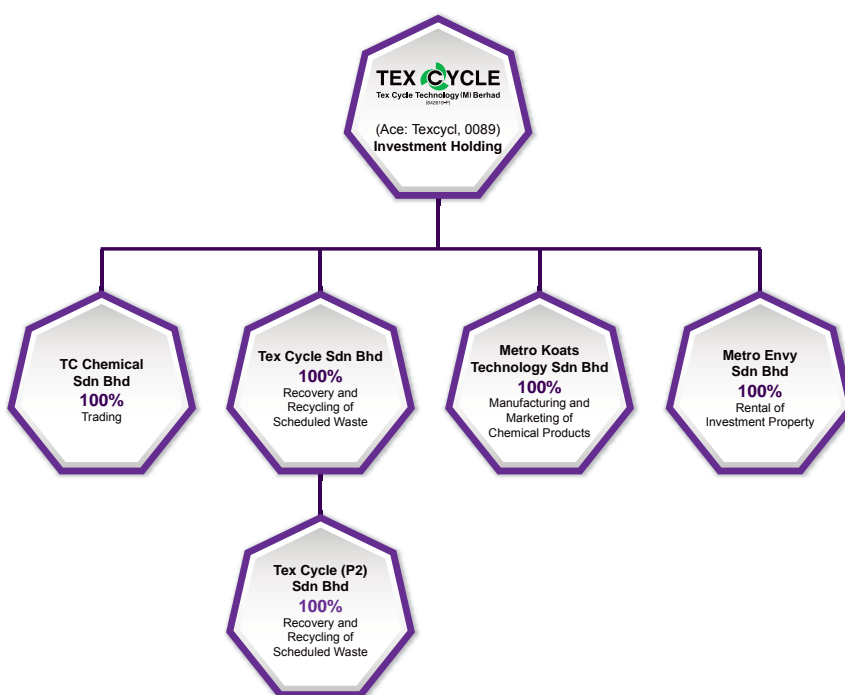
The Board is pleased to report that there were no major internal control weaknesses identified during the year, nor have any of the reported weaknesses resulted in material losses or contingencies requiring disclosure in the Group's Annual Report. The Board is of the view that the existing system of internal control is adequate. Nevertheless, Management continues to take measures to strengthen the control environment.

This statement is made in accordance with the resolution of the Board of Directors dated 23 March 2016.

## TEX CYCLE TECHNOLOGY (M) BERHAD

Tex Cycle Technology (M) Berhad (“Tex Cycle Technology” or “the Company”) is an investment holding Company which was listed on the ACE Market of Bursa Securities Malaysia Berhad on 27 July 2005. Today, Tex Cycle Technology is the holding Company of Tex Cycle Sdn. Bhd., Metro Koats Technology Sdn. Bhd., Metro Envy Sdn. Bhd., Tex Cycle (P2) Sdn. Bhd. and TC Chemical Sdn. Bhd. The Company is primarily engaged in an environmentally friendly Waste Management Business which provides professional services preferred by companies from the various industries in accordance with Environmental Quality Act. Conversely, we also supply specialized products for the Defense industry and further endow chemical products for related industries. Our systems and procedures are technologically advanced and upgraded frequently. This allows us to offer one-stop solution to our valued Customers with economical products and services in total compliance.

### The Group’s Corporate Structure and Principle Activities



### METRO ENVY SDN. BHD.

Metro Envy was incorporated on 16 January 2004 and the principal activity is rental of investment property.

### TC CHEMICAL SDN. BHD.

TC Chemical was incorporated on 22 June 2009. The principal activity of the Company is trading of chemical and other related products.

### METRO KOATS TECHNOLOGY SDN. BHD.

Metro Koats Technology Sdn Bhd was incorporated in 1995. The principal activity is manufacture and marketing of chemical products.

### TEX CYCLE SDN. BHD.

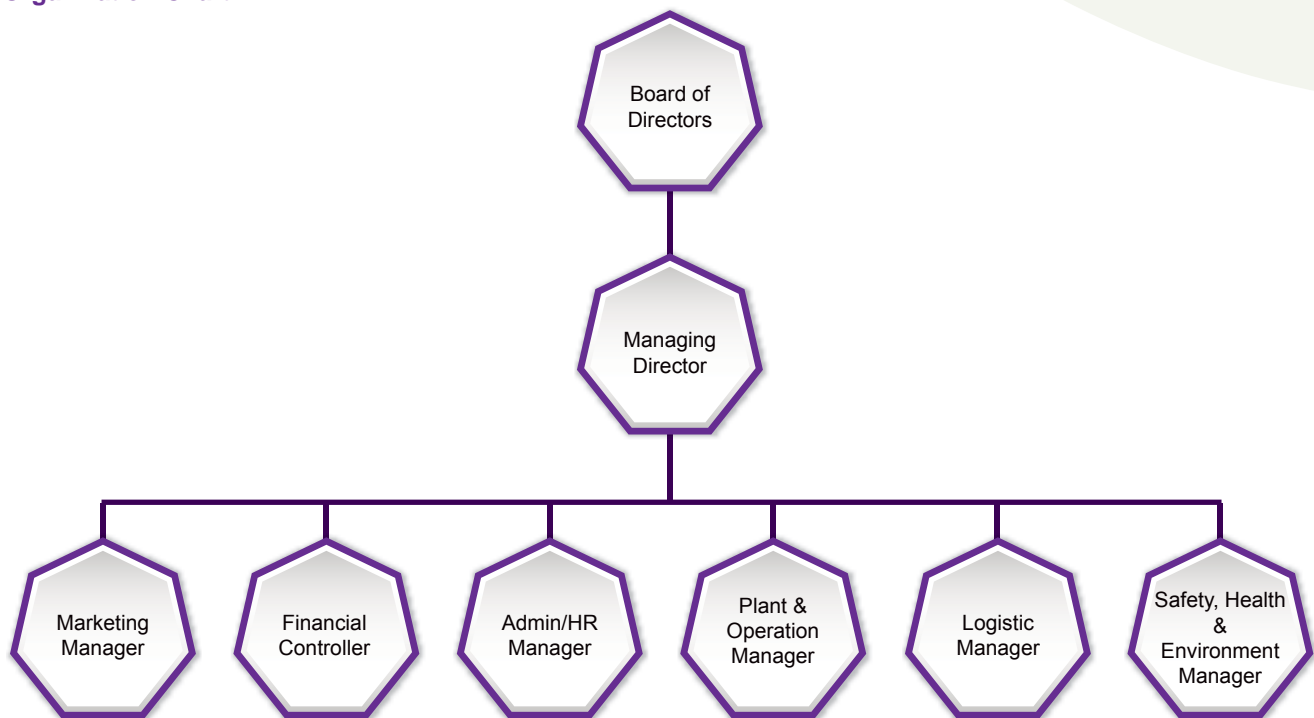
We choose to act on the worldwide effort of Waste Management and live the 4R motto ‘Reduce, Reuse, Recover and Recycle’ which was then still vague to the world. Today, Tex Cycle Sdn Bhd (TCSB), the subsidiary of Tex Cycle Technology (M) Bhd is one of the most established and a pioneer Recycler of Scheduled Waste in the region. It owns its fully licensed facility in the Klang Valley which provides complete services that includes analysis, transportation, collection, treatment, delivery and disposal of Scheduled Waste as approved by the Department of Environment. The

basis and core of our business which is protecting the Environment, preserving it for the future generation and in the process creating value for stakeholders is much preferred by our Customers. Our systems are in accordance with ISO 14001 which assures complete professional services and products in total compliance.

## TEX CYCLE (P2) SDN. BHD.

Tex Cycle (P2) Sdn. Bhd. (TCP2SB) was incorporated on 4 June 2007 and commenced operation at the end of the second quarter of 2014. Being the second plant to Tex Cycle Sdn Bhd, the principal activity of the Company is similar but is now capable of recovery and recycling of Scheduled Waste in a wider volume and variation. Tex Cycle Sdn Bhd and Tex Cycle (P2) Sdn Bhd is referred as 'Tex Cycle' in this reporting.

## Organization Chart



## RESPONSIBILITIES

The members of the Environmental Committee within Tex Cycle's Organization have specific roles to ensure the following: -

### Director

- Supports the Managing Director on Environmental Management.

### Managing Director

- Appoints the Environmental Management Representative (EMR).
- Establish the EC Organization.
- Participates, accesses 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.
- Chairs the Environmental Management Review.
- Active in the R&D contribution, ideas and activities carried out in Tex Cycle.
- Ensures that Environmental Management System requirements are established, implemented and maintained in accordance with ISO 14001 standards.

### Environmental Management Representatives (EMR)

- Co-ordinate & liaise for initiation of Environmental Activities.

- Provide information to all members regarding environmental issues.
- Plan, co-ordinate and control Environmental Management System including internal audits to ensure compliance.
- Support the Managing Director on Environmental Management.
- Provide report to the Managing Director on EMS performance.
- Promote Environmental Awareness Activities among the staff.
- Plan and co-ordinate the Environmental Education and Training requirement.
- Centralize the control of the environmental documents and records.
- Establish a proper document control system and filing of environmental data.
- Check and control the data changes or revision and co-ordinate with the respective section.
- Liaise with local environmental bodies with regards to environmental issues.
- Ensure execution of the Environmental Management Operations and compliance of Management Operation to ISO14001.

### Section Head

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

### Employees

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

### Environment Management Systems Approval Certificate





# CORPORATE PROFILE



## VISION

Tex Cycle envisions being The Preferred Scheduled Waste Recycler in Malaysia. It aims to achieve this vision through practice of sustainability in every aspect of the business with Persistence and Commitment, Determination and Passion. It further aspires to one day being able to achieve zero-waste through maximization of resources.

## MISSION

Tex Cycle is committed in doing its part by engaging in continued ways and means to reduce all possible threats to the Environment. It embraces all relevant national and international efforts and inspires awareness on environmental Protection to the Community at large.

Tex Cycle believes in sharing our resources with our most important Stakeholder, our Employees who are given utmost priority. We pursue our mission with continuous commitment in ensuring that our Employees work in a safe environment and return to their families safely.

Being in a competitive marketplace, it is essential for our professional teams to manage our Customer's satisfaction efficiently and proactively. We uphold this with loyal and professional assistance which is provided in engaging our exceptional services and reliable products at all times.

Tex Cycle embarks on continuous Research and Development in striving to do business profitably and responsibly by seeking up-to-date Technologies and modern state-of-the-art equipments and upgrading its operations for more effectiveness and efficiency in all that it does.

Tex Cycle addresses Corporate Responsibility to the future generation through various projects, collaborations, exhibitions and awareness programs to instil the importance of caring for the environment. Tex Cycle also readily extends assistance in whichever way possible to the less fortunate.



By sincerely pursuing these visions, missions as well as responsible and transparent corporate conduct, innovation and prudent investment, Tex Cycle is able to increase value for all its shareholders.

## CORPORATE VALUES

- Adhering to all regulations wherever we operate.
- Practicing high ethical standards and sincerity in our business.
- Protecting the environment and community in all our actions.
- Respecting diversity and individual growth of Employees.
- Creating higher value through technology, creativity and innovation.
- More than meeting the expectations of Customers and Shareholders and building mutually profitable relationships.

## TEX CYCLE'S GROWTH STRATEGY

The Board of Directors and its principal shareholders are committed toward the growth of the Company. This aim is being achieved through:

- Growth in human capital;
- Growth in infrastructure;
- Growth of its core business;
- Developing strategic partnerships;
- Vertical integration;
- Business diversification and
- Moulding the environment in which we operate.

# CORPORATE RESPONSIBILITY REPORT

At Tex Cycle, we are obliged towards our employees, investors, customers, suppliers and the community while making conservation of the environment our highest priority. We are constantly engaged in upgrading our processes and procedures through Research and Development to ensure our environment is continuously protected and conserved towards improvement for maximization of its stakeholders' interest.

We ensure that all matters of CR are considered and supported throughout the Company and are consistent with our stakeholder's interests. Comprehensive policies and practices have been developed to enable business decisions to be made and conduct its operations ethically, adhering to legal obligations and showing consideration for the community and environment. The various activities undertaken as part of Tex Cycle's Corporate Responsibility are discussed below.

The various activities undertaken as part of Tex Cycle's Corporate Responsibility are discussed below.

## STAKEHOLDER ENGAGEMENT

Tex Cycle's Stakeholders though distinct in its own way, they share the same aspiration which is reducing waste, protecting and preserving the Environment. The identification and selection of Stakeholders with whom Tex Cycle is engaged revolves around those relevant to the business operation that is the Employees, Regulators, Customers, Shareholders, Community and Suppliers. Together, we engage in various ways and at different levels to discover the social and environmental issues that are material in decision-making and accountability.

### Employees

Tex Cycle has always given focus to Employees, one of the most important stakeholder groups "internal" to the core operation of the business and its most important investment. The Management rates the engagement with Employees as valuable and is based on relationship-building from the very beginning. Tex Cycle's Management deals with its Employees with trust, mutual respect and understanding to develop and build interactions. This established relationship is the basis to our engagement with our Employees.

Engagement of our workforce, the people of Tex Cycle is important and a vital part of our success. Focus on the people and the workplace culture is placed at the top of our list and believes that good performance by our Employees should always be recognised and appraised. Tex Cycle continually invests in its Employees and aids in their growth by providing the right trainings, build connection to the business through various environmental programs, give rewards in various ways for their contribution, create career development opportunities, initiate safe working environment and offer physical & financial support where needed.

Employees of Tex Cycle are appreciated for their ongoing contributions to the company throughout the year as they are capable of furthering the Organization's success. To retain its people, Tex Cycle provides them with benefits and aims to create a work environment that can encourage and enable them to be responsible. Tex Cycle has identified and gratified Employees who've been with the Management through evolving challenges that we've faced and continue facing as a growing and developing Company. Some of the continuous benefits to our Employees are listed below:

- Eligible Employees are given education scholarships to pursue higher studies in fields related to their jobs
- Employee of the quarters & Employee of the year awards
- Company's share distribution
- Family Day gathering and activities / Recycling Day
- Staff Recreation
- Overseas Vacation Trips
- Competition on Environmental, Safety and Health issues after trainings
- Recycling Campaign
- Award given to the section/area which complies with the audit checklist
- Promotions / bonus
- Incentives for full attendance
- Safety, Health & Environmental Month
- Competition and activities involving staff members and their family
- Recognition of staffs with long service
- Employees children are given financial assistance for school necessities
- Adequate insurance coverage
- Annual Medical Health Check for Employees
- Heart Disease and Diabetic Talk
- First Aid Training
- Stress Management Talk
- Distribution of Festive Goodies

# CORPORATE RESPONSIBILITY REPORT

## Regulators

Regulators act as the backbone to Tex Cycle. As its core business operation revolves around the Environment, Regulators and their compliances play an important part in ensuring protected interest of all. Regulators whom Tex Cycle closely engages with are the Regulatory Bodies such as DOE, DOSH, JPJ, MPSJ and BOMBA. Environmental issues and green matters are the usual highlights in their engagement and occasionally, our facility is also used as learning ground for new regulatory officers as well as a site for visit by the regulatory bodies for international visitors. Tex Cycle as one of the pioneers in the Management of Scheduled Waste has also been recently invited by DOE to assist in the development of occupational skills in the field of Scheduled Waste Treatment System.

## Customers

Tex Cycle renders Customers as an important channel to promote environmental preservation and protection of which it addresses through the services it offers. Regular engagement is required to reach fair pricing, ensuring best quality of service and assurance that their trust in us on waste management is maintained at all times. A common concern raised through this engagement is attractive pricing and best service which is promptly addressed by the higher Management and Sales Representatives.

Customers are also welcomed periodically to audit the process flow of the recycling and recovery activities in our plant. Through exhibitions and initial visits, Customers are provided with brochures explaining the activities, products and services, environmental programs and further information on Scheduled Waste Management and its regulations. Tex Cycle too connects with Customers through joint activities on their EMP projects. Tex Cycle believes that Customer's trust and confidence in us and our processes are enhanced through our transparency.

## Suppliers

Tex Cycle also values relationships with its Suppliers as vital to the success of its operations. In our Supplier Engagement we aim to receive valuable benefits from our Suppliers. We acknowledge that they are important to the business operation as through them we have access to best people, best resources, first access to innovation, latest technological advances, favourable terms and priority allocation of resources in times of scarcity. Having in hand the best Supplier can create a vital strategic advantage for the business.

We achieve this through mutual understanding and trust in regular dealing with them best prices are obtained for quality goods and services through continued support to Suppliers. Their key concern is that we continue supporting them in business for the long term. This concern is addressed through ad-hoc meetings and agreements with major and significant Suppliers where mutual value is achieved for both parties.

Tex Cycle's SHE Department ensures that Contractors attend briefing and trainings on a continuous basis 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 Minimization Policy
- Environmental Legal Requirements
- Competent and qualified to handle (dealing with scheduled waste) Supplier and Contractor Development
- Practice: Tex Cycle provides environmental policy, training materials and available practices in the Contractor Safety Briefing.
- 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
- Cooperation: Samples of new material/product from the contractor or supplier are tested in the lab at Tex Cycle to assess if new products worsen the environmental impact.

## Community

Being in the Industry of Scheduled Waste Management, Tex Cycle's daily business operations matters to the Community as the hazards of the improper handling of toxic wastes may pose serious consequences to the people. And so, responsible daily operations matters most in this Community Engagement of Tex Cycle. Through various projects,

# CORPORATE RESPONSIBILITY REPORT

collaborations, exhibitions and programs, Tex Cycle brings awareness on ways to create a better Environment to the Community.

Tex Cycle gives a very special focus to young children as they are the future generation of what we have to offer. Thus early education and awareness to this group of community on environmental protection, preservation, waste reduction and 4R's are constantly exposed and cultivated in them through sessions, briefings, talks as well as sponsorships. Young adults who are furthering their education in the Environmental and related studies often visit Tex Cycle to gain more knowledge on ways of reducing waste and recycling in the industrial point of view.

Tex Cycle's focus besides environmental issues in the Community at large is the health and financial concern for the less privileged groups. Tex Cycle is the main sponsor of a Dialysis Centre in the Klang Valley with the collaboration of an NGO. It faithfully continues to provide the less fortunate with the much needed medical requirement with annual financial aids to the centre so that they may carry on with their lives. Tex Cycle also distributes its profits generously on a continuous basis to other charitable organizations with the aim to lessen poverty and extend help to the needy and the less fortunate not only with monetary contribution but also with sponsorship of basic necessities.

Tex Cycle is pleased to have reached this significant milestone with regular, consistent and relevant Stakeholders Engagement with all of the above groups. Tex Cycle believes that the powerful combination of our Stakeholders will continue bringing its assets, its people and its vision together to deliver sustainable value to all its Stakeholders environmentally and profitably.

## Communication of Environmental - Related Information

Environmental and any important related issues such as health and safety related matters are communicated to all the staff through various ways at Tex Cycle. Most prominent methods are:-

- meetings with representatives from every department
- all general notices are placed on the notice boards
- memos sent by internal e-mail systems
- openly communicating to Employees and their families during activities
- Management participates in environmental training and activities organized

Besides many activities that are implemented for staff participation as a part of resource conservation programs, Tex Cycle also has ongoing programs to convert various wastes to useful products.

## 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 toward the facilities has increased for the benefits of both the environment and surrounding community. The management ensures that the facilities of Tex Cycle complies with the regulation and observe the requirements by the 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.

## External Assurance

Tex Cycle indirectly observes related principles in all its operational planning and introduction of new products and services. As an active Licensed Contractor by the Country's Department of Environment and an independent member in many other industry associations, Tex Cycle is committed in doing its part in engaging in continued ways and means to reduce all possible threats to the environment by embracing some principles such as Kyoto Protocol, Montreal Protocol, etc amongst others.

Most of the participants who come to Tex Cycle tend to carry the mindset that Tex Cycle is a large launderette due to the existence of a large number of industrial washing machines and a collection of contaminated wipes, rags and gloves in the main production area. They assume that these contaminated rags, gloves and wipes are washed similarly to household laundry system but on a larger scale. Therefore, the awareness program is specially arranged to change these mindsets by providing a line tour, explaining the process in detail and the importance of a waste water treatment and the dangers of these contaminated materials. Depending on the group, the questions varies from technical to very basic questions but through these question and answer sessions, the participants are able to get a better understanding on the importance of the regulation on Scheduled Wastes and their responsibilities as 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.

## Waste as Competition

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.

Where employees are concerned, activities such as buying recyclable materials such as paper, glass, tin, etc. at a higher market price and competitions on reusing household and decontaminated factory wastes into art-craft are continuously carried out to encourage healthy competition while instilling environmental awareness.

Externally, Tex Cycle has joined many initiatives to be transparent to the society in its business operations as well as its efforts in environmental protection and preservation. The many awards achieved over the years are proofs themselves that Tex Cycle is aiming high to be a role model in the Scheduled Waste Management Industry.

## Awards Achieved Prior 2015

ISO 14001 – Tex Cycle Sdn Bhd was first awarded with the ISO 14001:2004 certification in March 2003 and recertified to-date. Our second plant, Tex Cycle (P2) Sdn Bhd was awarded with the same ISO 14001:2004 certification on 6th March 2015.

### Prime Minister Hibiscus Awards

Tex Cycle was 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)
- Prime Minister Hibiscus Award 2006/2007 Selangor Government
- Prime Minister Hibiscus Award 2006/2007 SME Special Award
- Prime Minister Hibiscus Award 2006/2007 Exceptional Achievement in Environmental Performance
- Prime Minister Hibiscus Award 2008/2009 for Notable Achievement in Environmental Performance

### Malaysian Canadian Business Council

- Malaysian Canadian Business Council (MCBC) Silver Award in Industrial Excellence in Professional Services Award 2006
- Malaysia Canada Business Council (MCBC) Company of the Year Award under Business Excellence Awards 2008
- Malaysia Canada Business Council (MCBC) Talisman Malaysia Limited Award Industry Excellence for Environment under Business Excellence Awards 2008

### ACCA

- ACCA – MaSRA First Time Reporting 2006
- ACCA Malaysia Sustainability Reporting Awards for Transparency (MaSRA) 2009 (shortlisted)
- ACCA Malaysia Sustainability Reporting Awards (MaSRA) 2011 – (shortlisted) National Award for Management Accounting
- Practice Solution Award 2008 under Non-listed SME Category from National Award for Management Accounting (NAfMA)
- Practice Solution Award 2009 under Non-listed SME Category from National Award for Management Accounting (NAfMA)
- Practice Solution Award 2010 under Non-listed SME Category from National Award for Management Accounting (NAfMA)
- ACCA Malaysia Sustainability Reporting Awards (MaSRA) 2014 – Shortlisted

### Star Biz ICR Malaysia

- Corporate Responsibility Award 2008 for Environment Category for market capitalization be low RM1billion from Star Biz ICR Malaysia
- Corporate Responsibility Award 2009 for Marketplace Category for market capitalization be low RM1billion from Star Biz ICR Malaysia
- Corporate Responsibility Award 2010 for Marketplace Category for market capitalization be low RM1billion from Star Biz ICR Malaysia

### KPMG Malaysia

- KPMG Shareholder Value Award 2010 – Winner for Infrastructure Award Achieved In 2014



To us, being sustainable is never in isolation but instead to be able to recognize and manage its wider impact and contribute to the People, its' Stakeholders and the Environment. Therefore the Management focuses on its Stakeholders, listens to their ideas, concerns and perspectives which is vital to the success of our business and builds an interest to the environment.

We identify our core values, incorporate them in our daily operations, business policies and apply it with and through our Stakeholders to operate a transparent, responsible and sustainable Business.

## Processes

Tex Cycle has its Standard Operating Procedures which are adhered to with the relevant regulations in order to provide the best products and services which are in compliance to the legal requirements. Our services involve a set of Production Process Flow that involves procedures from the time waste is collected from the Generator until it is cleaned, recovered and recycled.

### The process flow for Production covers 2 major processes:

- Process Flow for Contaminants which has Solid & Liquid Form and
- Process Flow for Waste Water Treatment.

## Key Impacts

### Environmental Issues and the Preventive / Control Measures

Many areas are constantly monitored according to legal requirement, regulations and Company policies. The major factors are air pollution & noise, health risk, chemical spillage, effluent from processes, segregation of solid waste and disposal of Scheduled Waste.

As international concerns on Global Warming and Climate Change is becoming more serious and important, so are the regulations, standards, requirements of local Government are made sterner with frequent round table discussions and following amendments. Many Non-Profit Organizations are also increasing their effort in the protection and preservation of the Environment. These changes and amendments are also constantly updated into Tex Cycle's requirements and closely monitored and adhered to.

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

The LCA analysis provides the opportunity to improve business performances by prioritizing capital investment. This allows Tex Cycle to stay competitive in the Scheduled Waste Industry. The LCA analysis with a thorough audit exposes areas where we can optimize resources, improve energy consumption and reduce emission of pollution, waste generation method, waste characteristics and processes for managing waste and associated costs. The LCA analysis also provided an overview of the energy and water usage patterns which assists us to reduce the impact of our operations to the environment.

### In addition, the (LCA) analysis provides insight to the following:

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

## Monitoring and Control Parameters

The responsibility of ensuring quality environment without pollution, healthy & comfortable surroundings within Tex Cycle is shared by Management and Employees. Every employee is constantly encouraged and reminded to communicate the slightest discomfort in the environment where they work in. The effectiveness of the quality in working environment is monitored according to ISO 14001 and Environment Quality Act (EQA) 1974 and Occupational Safety & Health Act (OSHA) 1994 guidelines.



## Operational Monitored Activities



## Pollution Control Monitoring – Ambient Air

The Ambient Air – Pollution Control Monitoring was carried out by UiTM – A & A Laboratory in December 2015. The monitoring results and the Conclusion summary which has been certified by the accredited lab are as below:

2015	Unit	A1 Garden	A2 Production Area	Malaysian Ambient Air Quality Guidelines
Particulate matter as PM 10	µg/m <sup>3</sup>	78	62	150
Nitrogen Dioxide, NO <sub>2</sub>	µg/m <sup>3</sup>	2	2	75
Sulphur Dioxide, SO <sub>2</sub>	µg/m <sup>3</sup>	0.59	0.59	105
Carbon Monoxide, CO	ppm	0	0	10
Volatile Organic Compound, VOC	µg/m <sup>3</sup>	0.01	0.01	-

### Legend

Garden : Front Entrance / Production Area  
 Production Area : Production / Recycling Area

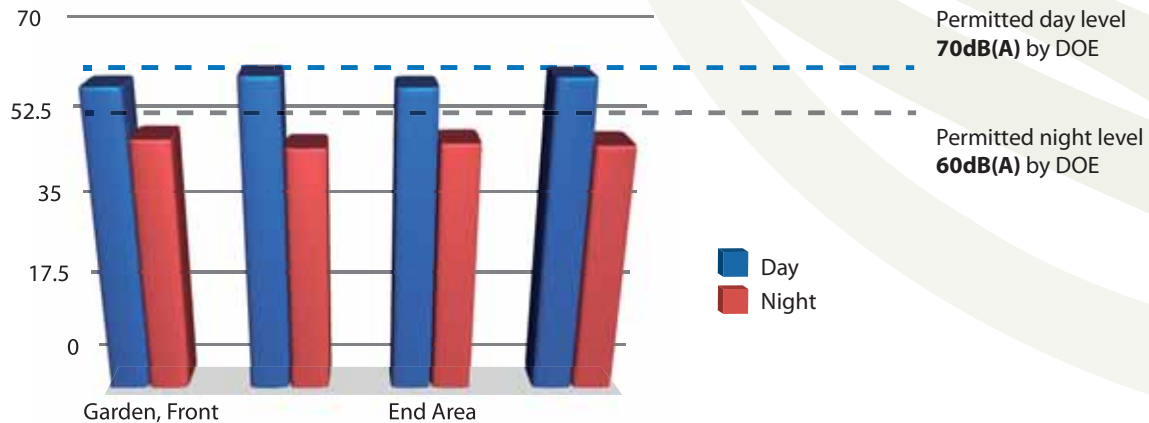
### Conclusion:

The quality of the ambient air in the monitored premise is compared against the Malaysian Ambient Air Quality Guidelines. The levels of PM10 for A1 and A2 were measured at concentration 78µg/m<sup>3</sup> and 62µg/m<sup>3</sup>, well below the permitted limit of 150 µg/m<sup>3</sup>. No detection of CO, SO<sub>2</sub>, NO<sub>2</sub> and VOC are observed for December’s monitoring.



# SUSTAINABILITY REPORT

## Pollution Control Monitoring – Boundary Noise



The Boundary Noise Monitoring for Tex Cycle was carried out by UiTM – A & A Laboratory in December 2015. The monitoring results and the Conclusion summary which has been certified by the accredited lab is portrayed below:

Sampling Points		Limit (dB)	Aeq (dB)	Sources of Noise
Garden (N1)	Day	70	60.0	<ul style="list-style-type: none"> <li>• Sound from vehicles movement at nearby road</li> <li>• Sound from human activities</li> <li>• Nature sound</li> </ul>
	Night	60	50.5	<ul style="list-style-type: none"> <li>• Sound from vehicles movement at nearby road</li> <li>• Nature sound</li> </ul>
Loading Bay (N2)	Day	70	61.9	<ul style="list-style-type: none"> <li>• Sound from vehicles movement (forklift/ lorry)</li> <li>• Worker's noise</li> <li>• Sound from human activities</li> </ul>
	Night	60	48.9	<ul style="list-style-type: none"> <li>• Sound from human activities</li> <li>• Nature sound</li> </ul>
End Area (N3)	Day	70	59.9	<ul style="list-style-type: none"> <li>• Sound from vehicles movement at nearby road</li> <li>• Sound from human activities</li> <li>• Sound from vehicles movement (forklift/ lorry)</li> </ul>
	Night	60	49.8	<ul style="list-style-type: none"> <li>• Sound from human activities</li> <li>• Nature sound</li> </ul>
Treatment Plant (N4)	Day	70	61.7	<ul style="list-style-type: none"> <li>• Sound from vehicles movement inside factory area</li> <li>• Sound from human activities</li> <li>• Sound from vehicles move</li> </ul>
	Night	60	49.4	<ul style="list-style-type: none"> <li>• Nature sound</li> </ul>

### Legend

- Garden : Front Entrance / Production Area
- Loading Bay : Loading / Unloading / Waste Storage Area
- End Area : Waste Storage / Granulator / Segregation Area
- Treatment Plant : Production / Recycling Area

### Conclusion:

According to the Schedule 1 (Maximum Permissible Sound Level by Receiving Land Use for Planning and New Development) of the Planning Guidelines for Environmental Noise Limits and Control under the category of 'Designated Industrial Zones' the LAeq must not exceed 70dB(A) for the day time.

From the data obtained, it was found that the noise level at N1, N2, N3 and N4 had fulfilled the Department of Environment (DOE) guidelines' requirement.

## Treated Wastewater Quality Analysis Year 2015

No	PARAMETER	Units	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	Std. B	Std. A
1	Temperature	°C	23	24.2	24	26	23	26.7	23	28.3	25	24.2	25	22.6	40.00	40.00
2	pH Value		6.1	6.87	6.16	6.09	6.56	7.77	6.18	5.35	5.79	7	6.3	6.87	5.5 - 9.0	6.0 - 9.0
3	BOD at 20 °C	mg/L	2	2	16.7	0	13.50	6	2	0	3	0	2	4	50	20
4	COD	mg/L	6	6	112	11	22	50	7	45	19	12	12	50	200	200
5	Suspended Solids	mg/L	ND	12	ND	4	18	4	6	4	4	4	0	36	100	50
6	Mercury	mg/L	ND	ND	ND	0	0	0	0	0	0	0	0	0	0.05	0.005
7	Cadmium	mg/L	ND	ND	ND	0	0	0	0	0	0	0	0	0	0.02	0.1
8	Chromium, Hexavalent	mg/L	ND	ND	ND	0	0	0	0	0	0	0	0	0	0.05	0.05
9	Arsenic	mg/L	ND	ND	ND	0	0	0	0	0	0	0	0	0	0.10	0.05
10	Cyanide	mg/L	0.002	ND	ND	0	0	0	0	0	0.003	0	0	0	0.10	0.05
11	Lead	mg/L	ND	ND	0.33	0	0	0	0	0	0	0	0	0	0.5	0.10
12	Chromium, Trivalent	mg/L	ND	ND	ND	0	0	0	0	0	0	0	0	0	1.0	0.20
13	Copper	mg/L	ND	ND	ND	0	0.02	0	0	0	0	0	0	0	1.0	0.20
14	Manganese	mg/L	0.31	ND	0.26	0.2	0.31	0.35	0.35	0.25	0.28	0.18	0.10	0.41	1.0	0.20
15	Nickel	mg/L	0.04	ND	0.03	0	0.01	0.04	0	0.14	0	0	0	0.01	1.0	0.20
16	Tin	mg/L	ND	ND	ND	0	0.19	0	0	0	0.10	0	0	0	1.0	0.20
17	Zinc	mg/L	0.09	ND	0.33	0.14	0.18	0.08	0.22	0.05	0	0	0	0.10	2.0	2.0
18	Boron	mg/L	0.10	ND	0.11	0	0.05	2.42	0.06	0	0.14	0.19	0	0	4.0	1.0
19	Iron (Fe)	mg/L	0.33	0.36	1.03	1.34	0.84	2.10	0.4	0.79	0.80	0.36	0	1.58	5.0	1.0
20	Phenol	mg/L	0.33	ND	ND	0	0	0	0	0	0	0	0	0	1.0	0.001
21	Free Chlorine	mg/L	ND	ND	ND	0	0	0	0	0	0	0	0	0	2.0	1.0
22	Sulfide	mg/L	ND	ND	ND	0	0	0	0	0.1	0	0	0	0	0.50	0.50
23	Oil & Grease	mg/L	ND	ND	ND	0	0	0	0	0	0	0	3	0	10.0	1.0
24	Chromium total	mg/L	ND	ND	ND	0	0	0	0	0	0	0	0	0	-	-
25	Silver	mg/L	ND	ND	ND	0	0	0.02	0	0	0	0.01	0	0	1.0	0.1
26	Aluminium	mg/L	0.07	ND	0.16	0	0.05	0	0.07	0	0.10	0.16	0	0	15.0	10
27	Selenium	mg/L	ND	ND	ND	0	0	0.17	0	0.02	0	0	0	0	0.5	0.02
28	Barium	mg/L	0.18	0.11	0.16	0	0.18	0.19	0.17	0.18	0.18	0.14	0.09	0.16	2.0	1.0
29	Fluoride	mg/L	ND	0.07	ND	0	0	0	0	0.11	0	0.09	0.27	0.15	5.0	2.0
30	Formaldehyde	mg/L	ND	0.21	0.019722	0	0.001	0.02	0	0	0.001248	0.04	0	0	2.0	1.0
31	Ammonical Nitrogen	mg/L	ND	1.12	ND	0.56	0	0.32	0	0.14	0	0	0	0.17	20.00	10
32	Color	mg/L	5	15	5	19	5	12	0	0	0	0	0	23	200	100

  
 Dr. Abdul Halim  
 BSc(App. Chem), MSc(Mar. Se), AMIC  
 A/2448/5081/2007  
 (Lab Manager)

  
**Meng Hoe LIM**  
 Assistant Laboratory Manager  
 Consumer Testing Services  
 SGS (Malaysia) Sdn. Bhd.



# SUSTAINABILITY REPORT

Our Waste Water Monitoring analysis as required by Schedule 5 of the Environmental Quality (Industrial Effluent) Regulations, 2009 is carried out on a monthly basis by accredited laboratories namely UiTM – A & A Laboratory and SGS (Malaysia) Sdn Bhd. The monitoring results summary above for Tex Cycle has been certified by the accredited labs as portrayed above.

## Corporate Governance

Corporate Governance is Tex Cycle's Boardroom Agenda.

The Board of Directors believes that by following a framework of rules and practices, strong corporate governance is achieved. This not only enhances sustainable control of an organization but ensures transparency, accountability, integrity and fairness in the Company's relationship with its valued Stakeholders. It is essential in preserving organizational reputation, investor confidence, access to capital when required and sustainable employee motivation. Relevant Committees have been established to oversee various aspects of the Company and its operations.

## Sustainability Reporting

The environmental reporting for Tex Cycle is available to the public and can be obtained through various means. Primarily, the following are used:



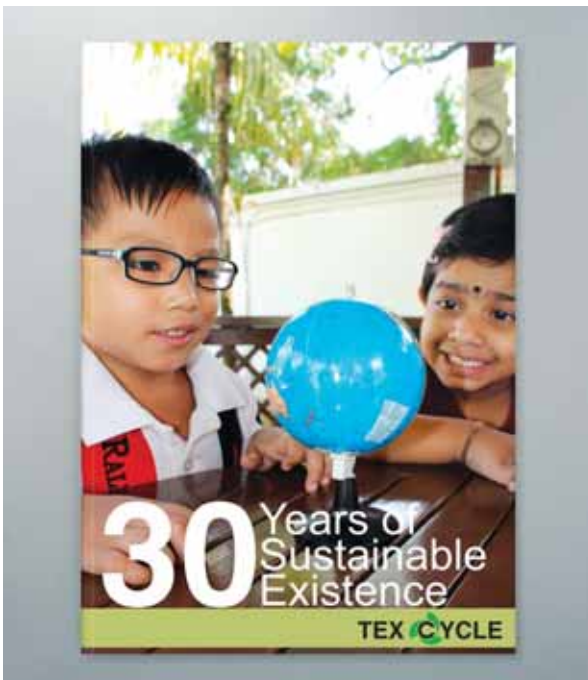
Brochures on products, services, activities and environmental objectives



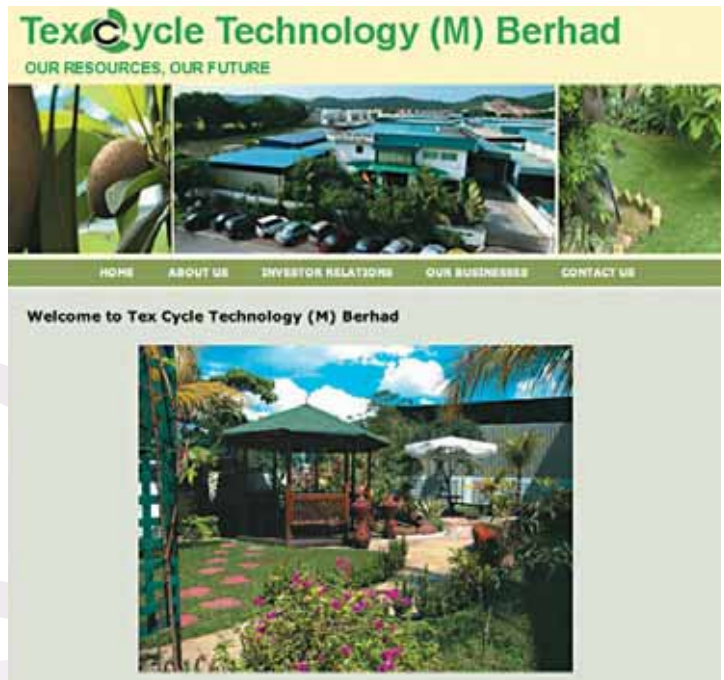
Exhibition and road shows on environmental awareness and community projects



Annual Report that summarizes Financial Report and Corporate Responsibility (CR) activities



Sustainability Report (Environmental Report) according to ACCA guidelines



Website provides more information on activities, products, community services and events



Tex Cycle practices waste minimization and implements 4Rs (Reduce, Reuse, Recover, Recycle) throughout the processes with the intention of minimizing the impact of pollution to the Environment. The efficiency of Tex Cycle in using wastes as its raw material has led to a huge reduction to producing only 3% of final generated residue classified as waste through our upgraded and latest machineries and processes. The remaining 97% wastes are reused, recovered or recycled accordingly to gain further benefits from it.

## Managing Environmental Emergencies

Tex Cycle's environmental impact risks are carefully and thoroughly identified from the processes and products/materials used throughout the plant. Risks that may exist while transporting are also identified. Appropriate procedures and environmental operating instructions are in place to ensure fast and effective response if any of the potential environmental emergencies that have been outlined arises. All Employees are trained by ERT Team on Standard Operating Procedures (SOP) for emergency situations with frequent emergency mock drills.

The ERT members provide emergency route plans/ maps with safety indications of first aid boxes, fire extinguishers, emergency routes, spillage kits, eye washes and etc which are placed around the plant and this map is placed in every department for reference. The emergency procedures and vital information are constantly communicated to all Employees, Customers and Contractors.

## Programs for Tex Cycle Employees on Environmental Emergencies

- Mock spillage exercise at Customer's premise
- Mock spillage exercise for Tex Cycle Employees
- Training on maintenance of trucks and tips on safe driving
- Forklift Safety Awareness was specially arranged for Drivers complete with certification
- Briefing on LPG use, nature of gas, leakage and action
- Causes of fire, safety tips, extinguishers and practical training by BOMBA
- Training by St. John Ambulance on methods, mock emergency medical conditions, treatments and procedures
- In-house training by NIOSH to obtain Contractor Safety Passport
- Training on proper usage of PPE, benefits and hazards on non-PPE by a PPE Supplier
- Briefing on chemical use, nature of chemicals, handling by CCM

## Commitments

Services - Global Positioning System (GPS) is installed inside 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 SOP on emergency situations and cross training with Customers on mock emergency exercises that help provide an opportunity for Tex Cycle's staff to access their own knowledge against Customer's method of training.

School Programs - Tex Cycle encourages students especially from upper secondary schools to visit and participate in Environmental programs. 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 products from household waste, understanding the benefits of recycling and initiate 4R activities in their own school.

Community Awareness - Any participating community member who are keen on environmental awareness programs are welcomed. 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 which provides an alternative perspective on understanding the concept of recycling and awareness towards Scheduled Waste Management. We encourage community to be responsible for their own environmental health and not completely depend on the Government for enforcement.

Local University - We support the universities by providing research funds and required information for the research related with the industry and accept final year students for internship.


Customer EMP - We support Customers' EMS, ISO14001 certification and environmental program by assisting customers with their regulation and compliance issues.

Department of Environment (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. In collaboration with Selangor DOE, an environmental camp during the State Environmental Week was jointly organized.

# Financial Statement

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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 31 December 2015.

**PRINCIPAL ACTIVITIES**

The principal activity of the Company is that of 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 principal 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:

	<b>The Group RM</b>	<b>The Company RM</b>
<b>Profit before tax</b>	8,111,620	852,425
<b>Income tax (expense)/credit</b>	<u>(737,988)</u>	<u>51,079</u>
<b>Profit for the year</b>	<u><u>7,373,632</u></u>	<u><u>903,504</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 first and final single-tier tax exempt dividend of 2.5% amounting to RM422,780 proposed in the previous financial year and dealt with in the previous report of the directors was paid by the Company during the financial year. As a result of share buyback, the total final amount paid by the Company during the financial year amounted to RM422,608.

An interim single-tier tax exempt dividend of 5.0% amounting RM844,902 in respect of the current financial year was declared on 17 November 2015 and paid on 21 December 2015. The directors do not recommend the payment of any final dividend in respect of the current financial year.

**RESERVES AND PROVISIONS**

There were no material transfers to or from reserves or provisions during the financial year.

**ISSUE OF SHARES AND DEBENTURES**

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

## TREASURY SHARES

During the financial year, the Company purchased 151,600 units of its own shares through purchases on Bursa Malaysia Securities Berhad. The total amount paid for acquisition of the shares was RM89,070 and it has been deducted from equity. The repurchased shares were financed by internally generated funds and the average price paid for the shares was 59 sen per share. The repurchased shares are held as treasury shares in accordance with Schedule 67A of the Companies Act, 1965.

## 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 STATUTORY INFORMATION

Before the statements of profit or loss and other comprehensive income and statements of financial position 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 would render the amount written off for 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 which 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

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

Ho Siew Choong  
Periasamy A/L Sinakalai  
Ho Siew Cheong  
Ho Siew Weng  
Razali bin Jantan  
Ravindran Markandu  
Alagasan A/L Varatharajoo

In accordance with Article 80 of the Company's Articles of Association, Mr. Ho Siew Choong and Mr. Ravindran Markandu retire by rotation at the forthcoming Annual General Meeting of the Company and, being eligible, offer themselves for re-election.

## DIRECTORS' INTERESTS

The shareholdings in the Company 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 31.12.2015
	Balance as of 1.1.2015	Bought	Sold	
<b>Shares in the Company</b>				
Ho Siew Choong				
Direct	8,189,903	43,000	-	8,232,903
Deemed (Note 1)	82,392,959	-	(10,000,000)	72,392,959
Indirect (Note 2)	192,000	10,000	-	202,000
<b>Shares in the Company</b>				
Periasamy A/L Sinakalai				
Direct	7,703,865	10,900	-	7,714,765
Deemed (Note 1)	82,392,959	-	(10,000,000)	72,392,959
Indirect (Note 2)	604,500	-	-	604,500
Ho Siew Cheong				
Direct	4,284,965	-	-	4,284,965
Deemed (Note 1)	82,392,959	-	(10,000,000)	72,392,959
Ho Siew Weng				
Direct	2,235,597	4,000	-	2,239,597
Deemed (Note 1)	82,392,959	-	(10,000,000)	72,392,959
Indirect (Note 2)	397,500	-	-	397,500
Ravindran Markandu				
Direct	260,000	25,000	(95,000)	190,000
Indirect (Note 2)	3,000	-	-	3,000
Alagasan A/L Varatharajoo				
Direct	15,000	-	-	15,000

# REPORT OF THE DIRECTORS

Note 1: Deemed interest by virtue of his interest in Can Cycle Sdn. Bhd. pursuant to Section 6A(4) of the Companies Act, 1965.

Note 2: Indirect interest by virtue of his spouse's/children's direct shareholdings in Tex Cycle Technology (M) Berhad pursuant to Section 134(12)(c) of the Companies Act, 1965.

By virtue of the above directors' interest in the shares of the Company, the abovementioned directors are deemed to have an interest in the shares of the subsidiaries to the extent that the Company has an interest.

Other than as disclosed above, the other director in office at the end of the financial year did not hold shares or had beneficial interest in the shares of the Company or its related companies during or at the beginning and end of 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 Note 9 to the Financial Statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which 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.

## SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 32 to the Financial Statements.

## AUDITORS

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

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

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**HO SIEW CHOONG**

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**PERIASAMY A/L SINAKALAI**

Puchong  
23 March 2016

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TEX CYCLE TECHNOLOGY (M) BERHAD

## Report on the Financial Statements

We have audited the financial statements of **TEX CYCLE TECHNOLOGY (M) BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 31 December 2015, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 50 to 101.

### *Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies have been properly kept in accordance with the provisions of the Act;
- (b) we are satisfied that the accounts of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes; and
- (c) the auditors' reports on the accounts of the subsidiary companies were not subject to any qualification and did not include any comment made under Section 174(3) of the Act.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TEX CYCLE TECHNOLOGY (M) BERHAD

Tex Cycle Technology (M) Berhad

## Other Reporting Responsibilities

The supplementary information set out in Note 34 on page 102 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

**DELOITTE**  
**AF 0080**  
**Chartered Accountants**

**WONG KAR CHOON**  
**Partner - 3153/08/16 (J)**  
**Chartered Accountant**

23 March 2016



# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	The Group		The Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Revenue	5	25,944,697	22,134,262	1,132,000	450,000
Cost of sales		<u>(9,967,778)</u>	<u>(8,785,654)</u>	<u>-</u>	<u>-</u>
Gross profit		15,976,919	13,348,608	1,132,000	450,000
Other operating income		1,088,392	1,082,137	40,062	16,460
Selling and distribution costs		(618,927)	(412,523)	-	-
Administrative expenses		(5,375,155)	(7,241,644)	(281,023)	(393,650)
Other operating expenses		<u>(2,883,478)</u>	<u>(1,377,731)</u>	<u>(48,277)</u>	<u>(251,000)</u>
Profit/(Loss) from operations		8,187,751	5,398,847	842,762	(178,190)
Finance costs	7	(101,312)	(79,894)	-	-
Interest income		25,181	42,282	9,663	20,996
<b>Profit/(Loss) before tax</b>	8	8,111,620	5,361,235	852,425	(157,194)
Income tax (expense)/credit	10	<u>(737,988)</u>	<u>(2,007,099)</u>	<u>51,079</u>	<u>-</u>
<b>Profit/(Loss) for the year</b>		<u>7,373,632</u>	<u>3,354,136</u>	<u>903,504</u>	<u>(157,194)</u>
Other comprehensive income, net of tax		-	-	-	-
<b>Total comprehensive income/(loss) for the year, net of tax</b>		<u>7,373,632</u>	<u>3,354,136</u>	<u>903,504</u>	<u>(157,194)</u>
<b>Earnings per ordinary share</b>					
Basic and diluted (sen)	11	<u>4.42</u>	<u>1.99</u>		

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

# STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2015

Tex Cycle Technology (M) Berhad

	Note	The Group		The Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	12	29,735,526	28,145,174	-	-
Prepaid lease payments	13	13,978,153	14,163,529	-	-
Investment property	14	13,000,000	13,000,000	-	-
Goodwill on consolidation	16	583,937	583,937	-	-
Investment in subsidiary companies	15	-	-	10,579,282	10,579,282
<b>Total Non-Current Assets</b>		<b>57,297,616</b>	<b>55,892,640</b>	<b>10,579,282</b>	<b>10,579,282</b>
<b>Current Assets</b>					
Inventories	17	272,058	295,509	-	-
Trade receivables	18	7,166,995	6,280,859	-	-
Other receivables and prepaid expenses	18	595,653	1,227,168	6,988	44,480
Investment in unit trusts	19	3,714,479	3,421,161	-	-
Amount owing by subsidiaries	20	-	-	8,577,251	10,259,974
Tax recoverable		2,036,263	1,029,987	21,550	21,550
Cash and bank balances	28	7,145,512	5,048,876	1,625,095	350,508
<b>Total Current Assets</b>		<b>20,930,960</b>	<b>17,303,560</b>	<b>10,230,884</b>	<b>10,676,512</b>
<b>Total Assets</b>		<b>78,228,576</b>	<b>73,196,200</b>	<b>20,810,166</b>	<b>21,255,794</b>

(Forward)

# STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2015

	Note	The Group		The Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Issued capital	21	17,079,300	17,079,300	17,079,300	17,079,300
Treasury shares	21	(895,451)	(806,381)	(895,451)	(806,381)
Reserves	22	54,463,708	48,357,586	4,583,169	4,947,175
<b>Total Equity</b>		<b>70,647,557</b>	<b>64,630,505</b>	<b>20,767,018</b>	<b>21,220,094</b>
<b>Non-Current Liabilities</b>					
Hire-purchase payables - non-current portion	23	196,013	52,884	-	-
Term loan - non-current portion	24	3,932,509	4,297,062	-	-
Deferred tax liabilities	25	854,000	918,737	-	-
<b>Total Non-Current Liabilities</b>		<b>4,982,522</b>	<b>5,268,683</b>	<b>-</b>	<b>-</b>
<b>Current Liabilities</b>					
Trade payables	26	184,067	130,734	-	-
Other payables and accrued expenses	26	1,616,129	2,638,157	39,200	35,700
Hire-purchase payables - current portion	23	183,571	76,489	-	-
Term loan - current portion	24	451,632	451,632	-	-
Amount owing to a subsidiary	20	-	-	3,948	-
Tax liabilities		163,098	-	-	-
<b>Total Current Liabilities</b>		<b>2,598,497</b>	<b>3,297,012</b>	<b>43,148</b>	<b>35,700</b>
<b>Total Liabilities</b>		<b>7,581,019</b>	<b>8,565,695</b>	<b>43,148</b>	<b>35,700</b>
<b>Total Equity and Liabilities</b>		<b>78,228,576</b>	<b>73,196,200</b>	<b>20,810,166</b>	<b>21,255,794</b>

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

# STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

Tex Cycle Technology (M) Berhad

	Note	Issued capital RM	Treasury shares RM	Non- distributable reserve - Share premium RM	Distributable reserve - Retained earnings RM	Total RM
<b>The Group</b>						
<b>Balance as of 1 January 2014</b>		17,079,300	(473,988)	4,521,517	41,329,146	62,455,975
Total comprehensive income for the year		-	-	-	3,354,136	3,354,136
Share buy back		-	(332,393)	-	-	(332,393)
Dividend paid	27	-	-	-	(847,213)	(847,213)
<b>Balance as of 31 December 2014</b>		17,079,300	(806,381)	4,521,517	43,836,069	64,630,505
<b>Balance as of 1 January 2015</b>		17,079,300	(806,381)	4,521,517	43,836,069	64,630,505
Total comprehensive income for the year		-	-	-	7,373,632	7,373,632
Share buy back		-	(89,070)	-	-	(89,070)
Dividends paid	27	-	-	-	(1,267,510)	(1,267,510)
<b>Balance as of 31 December 2015</b>		17,079,300	(895,451)	4,521,517	49,942,191	70,647,557

# STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

The Company	Note	Issued capital RM	Treasury shares RM	Non- distributable reserve - Share premium RM	Distributable reserve - Retained earnings RM	Total RM
<b>Balance as of 1 January 2014</b>		17,079,300	(473,988)	4,521,517	1,430,065	22,556,894
Total comprehensive loss for the year		-	-	-	(157,194)	(157,194)
Share buy back		-	(332,393)	-	-	(332,393)
Dividend paid	27	-	-	-	(847,213)	(847,213)
<b>Balance as of 31 December 2014</b>		17,079,300	(806,381)	4,521,517	425,658	21,220,094
<b>Balance as of 1 January 2015</b>		17,079,300	(806,381)	4,521,517	425,658	21,220,094
Total comprehensive income for the year		-	-	-	903,504	903,504
Share buy back		-	(89,070)	-	-	(89,070)
Dividends paid	27	-	-	-	(1,267,510)	(1,267,510)
<b>Balance as of 31 December 2015</b>		17,079,300	(895,451)	4,521,517	61,652	20,767,018

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

# STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

Tex Cycle Technology (M) Berhad

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>				
Profit/(Loss) for the year	7,373,632	3,354,136	903,504	(157,194)
Adjustments for:				
Depreciation of property, plant and equipment	2,806,675	1,993,893	-	-
Tax expense/(credit) recognised in profit or loss	737,988	2,007,099	(51,079)	-
Allowance for doubtful debts	582,613	448,176	-	-
Amortisation of prepaid lease payments	185,376	185,376	-	-
Finance costs	101,312	79,894	-	-
Property, plant and equipment written off	23,080	39,734	-	-
Allowance for doubtful debts no longer required	(479,536)	(401,073)	-	-
Changes in fair value of unit trusts	(165,146)	(97,307)	-	-
Gain on investment in unit trusts	(128,172)	(140,049)	-	(16,460)
Gain on disposal of property, plant and equipment	(125,000)	(30,000)	-	-
Provision for litigation costs no longer required	(31,250)	-	-	-
Unrealised gain on foreign exchange	(27,857)	-	-	-
Interest income	(25,181)	(42,282)	(9,663)	(20,996)
Gain arising from insurance claim on loss of property, plant and equipment	(750)	(364,111)	-	-
Provision for litigation costs	-	1,656,250	-	-
Allowance for slow-moving inventories	-	247,880	-	-

(Forward)



# STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Impairment loss on investment of subsidiaries	-	-	-	250,000
Dividend income	-	-	(1,132,000)	(450,000)
Operating Profit/(Loss) Before Working Capital Changes	10,827,784	8,937,616	(289,238)	(394,650)
(Increase)/Decrease in:				
Inventories	23,451	160,634	-	-
Trade receivables	(989,213)	(1,230,775)	-	-
Other receivables and prepaid expenses	78,615	(176,595)	37,492	(17,299)
Increase/(Decrease) in:				
Trade payables	53,333	12,171	-	-
Other payables and accrued expenses	(990,778)	(343,273)	3,500	(3,100)
Cash Generated From/(Used In) Operations	9,003,192	7,359,778	(248,246)	(415,049)
Tax refunded	539,205	377,043	51,079	70,705
Tax paid	(2,185,108)	(1,807,085)	-	-
Net Cash From/(Used In) Operating Activities	7,357,289	5,929,736	(197,167)	(344,344)

(Forward)

# STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

Tex Cycle Technology (M) Berhad

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES</b>				
Proceeds from disposal of property, plant and equipment	125,000	30,000	-	-
Interest received	25,181	42,282	9,663	20,996
Proceeds from insurance claim on loss of property, plant and equipment	750	364,111	-	-
Acquisition of property, plant and equipment (Note)	(3,990,707)	(8,015,574)	-	-
Proceeds from disposal of investment in unit trust	-	1,877,071	-	1,877,071
Additions to prepaid lease payment	-	(895,336)	-	-
Decrease/(Increase) in other receivables and prepaid expenses	552,900	(552,900)	-	-
Increase/(decrease) in amount owing by subsidiary companies	-	-	2,814,723	(1,037,720)
<b>Net Cash (Used In)/From Investing Activities</b>	<b>(3,286,876)</b>	<b>(7,150,346)</b>	<b>2,824,386</b>	<b>860,347</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>				
Dividends paid	(1,267,510)	(847,213)	(1,267,510)	(847,213)
Repayment of term loan	(364,553)	(2,414,932)	-	-
Finance cost paid	(101,312)	(79,894)	-	-
Share buyback	(89,070)	(332,393)	(89,070)	(332,393)
Payment of hire-purchase payables	(179,189)	(241,843)	-	-
Amount owing to a subsidiary	-	-	3,948	-
<b>Net Cash Used In Financing Activities</b>	<b>(2,001,634)</b>	<b>(3,970,521)</b>	<b>(1,352,632)</b>	<b>(1,179,606)</b>

(Forward)

# STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	The Group		The Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		2,068,779	(5,191,131)	1,274,587	(663,603)
Effect of changes in exchange rate		27,857	-	-	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<u>5,048,876</u>	<u>10,240,007</u>	<u>350,508</u>	<u>1,014,111</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	28	<u>7,145,512</u>	<u>5,048,876</u>	<u>1,625,095</u>	<u>350,508</u>

Note:

Additions to property, plant and equipment during the financial year were financed as follows:

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Payment by cash	3,990,707	8,015,574	-	-
Financed by hire-purchase	<u>429,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,420,107</u>	<u>8,015,574</u>	<u>-</u>	<u>-</u>

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

## 1. GENERAL INFORMATION

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

The principal activity of the Company is that of 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 Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, 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 issuance by the Board of Directors in accordance with a resolution of the directors on 23 March 2016.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the provisions of the Companies Act, 1965 in Malaysia.

### Adoption of New and Revised Malaysian Financial Reporting Standards

In the current financial year, the Group and the Company adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to their operations and effective for annual periods beginning on or after 1 January 2015:

Amendments to MFRS 119	Employee Benefits (Amendments relating to Defined Benefit Plans: Employee Contributions)
Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2010 – 2012 Cycle	
Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2011 – 2013 Cycle	

The adoption of these revised Amendments has not affected the amounts reported on the financial statements of the Group and of the Company.

### Standards and Amendments in issue but not yet effective

At the date of authorisation for issue these financial statements, the new and revised Standards and Amendments which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

MFRS 9	Financial Instruments <sup>2</sup>
MFRS 14	Regulatory Deferral Accounts <sup>1</sup>
MFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Amendments to MFRS 9 and MFRS 7	Mandatory Effective Date of MFRS 9 and Transition Disclosures <sup>2</sup>
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>

(Forward)

# NOTES TO THE FINANCIAL STATEMENTS

Amendments to MFRS 101	Disclosure Initiative <sup>1</sup>
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants <sup>1</sup>
Amendments to MFRS 127	Equity Method in Separate Financial Statements <sup>1</sup>
Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2012 - 2014 Cycle <sup>1</sup>	

- 1 Effective for annual periods beginning on or after 1 January 2016
- 2 Effective for annual periods beginning on or after 1 January 2018
- 3 Effective date deferred to a date to be determined and announced, with earlier application still permitted

The directors anticipate that the abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group and the Company when they become effective and that the adoption of these Standards and Amendments will have no material impact on the financial statements of the Group and the Company in the period of initial application, except as discussed below.

## MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2014) introduces new requirements for the classification and measurement of financial assets and financial liabilities and for recognition.

Key requirements of MFRS 9:

- all recognised financial assets that are within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of equity instrument (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.
- in relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors are currently assessing the impact of adoption of MFRS 9 and have not made any accounting policy decision. Thus, the impact of adopting the new MFRS 9 on the Group's and the Company's annual financial statements cannot be determined now until the process is completed.

## **MFRS 15 Revenue from Contracts with Customers**

In May 2014, MFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contract with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

The directors are currently assessing the impact on adoption of MFRS 15 on the amounts reported and disclosures in the financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 15 until the Group and the Company completes a detailed review.



### 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. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for any share-based payment transactions that are within the scope of MFRS 2, leasing transaction that are within the scope of MFRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value-in-use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess the measurement date;
- Level 2 are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 are unobservable inputs for the asset or liability.

#### Basis of Consolidation

The consolidated financial statements incorporate the audited financial statements of the Company and all its subsidiary companies controlled by the Company made up to the end of the financial year. Control is achieved when the Company has power over the investee, is exposed, or has rights to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls and investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of subsidiary companies begins when the Company obtains control over the subsidiary companies and ceases when the Company loses control of the subsidiary companies. Specifically, income and expenses of a subsidiary company acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiary company is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All significant intercompany transactions and balances are eliminated on consolidation.

## 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.

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

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

Revenue in respect of provision of waste recovery and recycling services is recognised when the customer has transferred to the Group the significant risks and rewards of ownership of the wastes.

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

Revenue in respect of sales of goods, renewable energy product and trading of chemicals and other products is recognised upon delivery of products and when the risks and rewards of ownership have passed.

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

Interest income is recognised on an accrual basis using the effective interest rate method.

## 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 the 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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

## Employee Benefits

### (a) Short-term employee benefits

Wages, salaries, paid annual leave, 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

The Group and the Company make statutory contributions to Employee Provident Fund (“EPF”) and contributions are charged to profit or loss. 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 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 or substantively enacted by the end of the reporting period.

Deferred tax is provided for, using the “liability” method, on temporary differences at the end of the reporting period 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 the end of each reporting period 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 period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in other comprehensive income, in which case the deferred tax is also charged or credited directly in other comprehensive income, 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 and its subsidiary intend to settle its current tax assets and liabilities on a net basis.

## Property, Plant and Equipment

Property, plant and equipment, other than freehold land and capital work-in-progress which are not depreciated, are stated at cost less accumulated depreciation and any impairment losses.

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

Freehold and leasehold buildings	1% - 2%
Office equipment, furniture and fittings and renovation	10% - 20%
Factory equipment and electrical installation	10% - 20%
Motor vehicles	20%
Computers	20% - 40%

The estimated useful lives, residual values and depreciation method of property, plant and equipment are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for prospectively.

Gain or loss arising on 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 profit or loss.

## 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 profit or loss to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

## Prepaid Lease Payments

Leases of land where title is not expected to pass to the lessee at the end of the lease term are classified as operating leases as land normally has an indefinite useful life. The upfront payments made on entering into or acquiring a leasehold land that is an operating lease represents prepaid lease payments which are amortised on a straight line basis over the lease term except for leasehold land classified as investment property.

## 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 profit or loss 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 from the statements of financial position. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

## Investment in Subsidiary Companies

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

## Investment in Unit Trusts

Investment in unit trusts is stated at fair value.

# NOTES TO THE FINANCIAL STATEMENTS

## Goodwill on Consolidation

Goodwill on consolidation represents the excess of the cost of acquisition of subsidiary companies over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary companies at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from the synergies of the combination. CGU 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 CGU 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.

The recoverable amount of the CGU is determined from a 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 the discount rate using pre-tax rate that reflects 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 two years and extrapolates cash flows for the following three years based on estimated growth rate of 4.7% (2014: 4.7%). 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.

## Impairment of Non-financial Assets Excluding Goodwill

At the end of each reporting period, the Group and the Company reviews the carrying amounts of its non-financial assets excluding goodwill 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 and the Company 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, 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 CGU) 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 CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, 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.

## Inventories

Inventories are valued at the lower of cost (determined on the “first-in, first-out” basis) and net realisable value. The cost of recycled products 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, allowance is made for damaged, obsolete or slow moving inventories.

## 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 end of the reporting period, and are discounted to a present value where the effect is material.

At the end of each reporting period, provisions are reviewed by the directors and adjusted to reflect the current best estimate. The provisions are reversed if it is no longer probable that the Group and the Company will be required to settle the obligations.

## Financial Instruments

Financial assets and financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

## Financial Assets

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (“FVTPL”), ‘held-to-maturity’ investments, ‘available-for-sale’ (“AFS”) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### (i) Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.



(ii) **Financial Assets at FVTPL**

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and MFRS 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

(iii) **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iv) **Impairment of Financial Assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period ranges from 30 to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(v) **Derecognition of Financial Assets**

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognise its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

**Financial Liabilities and Equity Instruments Issued by the Group and the Company**

(i) **Classification as Debt or Equity**

Debt and equity instruments are classified as either financial liability or as equity in accordance with the substance of the contractual arrangement.

(ii) **Equity Instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

**(iii) Financial Liabilities**

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. The Group's and the Company's significant financial liabilities are classified as other financial liabilities.

**(iv) Other Financial Liabilities**

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**(v) Derecognition of Financial Liabilities**

The Group and the Company derecognise financial liabilities when and only when, the Group's and the Company's obligations are discharged, cancelled or expired.

The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

**Statements of Cash Flows**

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

Cash equivalents are short-term, highly liquid investments that 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 and the Company'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 of the Group and of the Company, other than as follows:

#### Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment property that are measured using the fair value model, the directors have reviewed the Group's investment property portfolio and concluded that the Group's investment property are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Nevertheless, in determine the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amount of investment property measured using fair value model are recovered entirely through sale is not rebutted.

### (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 end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as follows:

#### Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the CGU 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 CGU and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period was RM583,937 (2014: 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.

#### Fair Value of Investment Property (Note 14)

The fair value of the investment property as disclosed in Note 14 was estimated at RM13,000,000 based on a valuation by an independent professional firm of valuers, City Valuers & Consultants Sdn. Bhd. dated 31 December 2013. The valuation was based on current prices in an active market for the property.

As of 31 December 2015, the directors of the Company assessed the fair value of the investment property based on the current prices in the market of properties of similar condition and location and the directors are of the view and estimated that the carrying amount of the investment property approximates its current fair value.

#### Allowance for Doubtful Debts (Note 18)

The Group and the Company makes allowance for doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed.

# NOTES TO THE FINANCIAL STATEMENTS

## Deferred Taxes (Note 25)

Certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the deferred tax provisions in the period in which such determination is made. As at 31 December 2015, the Group has deferred tax liabilities of RM585,000 (2014: RM918,737).

## 5. REVENUE

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Provision of waste recovery and recycling services	23,319,381	17,835,202	-	-
Rental income from investment property (Note 14)	974,592	936,572	-	-
Rental of recycled products	903,497	923,165	-	-
Trading of chemicals and other products	381,634	1,652,017	-	-
Sales of goods	365,593	787,306	-	-
Gross dividend income from subsidiary companies	-	-	1,132,000	450,000
	<u>25,944,697</u>	<u>22,134,262</u>	<u>1,132,000</u>	<u>450,000</u>

## 6. OPERATING COSTS APPLICABLE TO REVENUE

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

	Note	The Group		The Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Direct costs on services rendered		5,686,379	5,397,180	-	-
Staff costs		4,208,190	2,536,448	-	-
Depreciation of property, plant and equipment	12	2,806,675	1,993,893	-	-
Directors' remuneration	9	2,133,720	1,814,400	215,300	193,500
Amortisation of prepaid lease payments	13	185,376	185,376	-	-
Costs of chemicals and other products sold		164,517	332,097	-	-
Raw materials and consumables used		65,242	227,146	-	-
Changes in inventories of work-in-progress and finished goods		(284,951)	70,307	-	-

# NOTES TO THE FINANCIAL STATEMENTS

Tex Cycle Technology (M) Berhad

	Note	The Group		The Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Allowance for slow-moving inventories	17	-	247,880	-	-
Other operating expenses		3,880,190	5,012,825	114,000	451,150
		<u>18,845,338</u>	<u>17,817,552</u>	<u>329,300</u>	<u>644,650</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 RM380,419 (2014: RM278,892).

## 7. FINANCE COSTS

	The Group	
	2015 RM	2014 RM
Interest expense on:		
Hire-purchase	14,359	10,638
Term loan	86,953	69,256
	<u>101,312</u>	<u>79,894</u>

## 8. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is arrived at after the following charges/(credits):

	Note	The Group		The Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Allowance for doubtful debts	18	582,613	448,176	-	-
Auditors' remuneration:					
Current year		104,000	80,000	28,500	28,500
Other services		5,000	5,000	5,000	5,000

(Forward)



# NOTES TO THE FINANCIAL STATEMENTS

	Note	The Group		The Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Direct operating expenses arising from investment property	14	53,872	62,764	-	-
Property, plant and equipment written off		23,080	39,734	-	-
Allowance for doubtful debts no longer required	18	(479,536)	(401,073)	-	-
Changes in fair value of unit trusts	19	(165,146)	(97,307)	-	-
Gain on investment in unit trust	19	(128,172)	(140,049)	-	(16,460)
Gain arising from disposal of property, plant and equipment		(125,000)	(30,000)	-	-
Legal compensation received		(40,062)	-	(40,062)	-
Provision for litigation costs no longer required	26	(31,250)	-	-	-
Unrealised gain on foreign exchange		(27,857)	-	-	-
Interest income from short-term deposits		(25,181)	(42,282)	(9,663)	(20,996)
Realised gain on foreign exchange		(13,605)	(4,004)	-	-
Gain arising from insurance claim on loss of property, plant and equipment		(750)	(364,111)	-	-
Provision for litigation costs	32	-	1,656,250	-	-
Impairment loss on investment of subsidiaries	15	-	-	-	250,000

# NOTES TO THE FINANCIAL STATEMENTS

Tex Cycle Technology (M) Berhad

## 9. DIRECTORS' REMUNERATION

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Executive directors:</b>				
<i>Paid by the Company:</i>				
Fees	60,000	60,000	60,000	60,000
Other emoluments	19,500	14,500	19,500	14,500
	79,500	74,500	79,500	74,500
<i>Paid by the subsidiary companies:</i>				
Salaries and other emolument	1,688,000	1,417,240	-	-
Contributions to EP	230,420	203,660	-	-
	1,918,420	1,620,900	-	-
<b>Non-executive directors:</b>				
Fees	107,000	96,000	107,000	96,000
Other emoluments	28,800	23,000	28,800	23,000
	135,800	119,000	135,800	119,000
Total (Note 6)	2,133,720	1,814,400	215,300	193,500

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

	Number of Directors	
	2015	2014
Executive directors: Above RM150,000	4	4
Non-executive directors: Below RM50,000	3	3

# NOTES TO THE FINANCIAL STATEMENTS

## 10. INCOME TAX EXPENSE/(CREDIT)

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Estimated tax payable:				
Current year	804,908	1,127,689	-	-
(Over)/Underprovision in prior years	(2,183)	86,116	(51,079)	-
	802,725	1,213,805	(51,079)	-
Deferred tax (Note 25):				
Current year	(543,070)	797,967	-	-
Under/(Over)provision in prior years	478,333	(4,673)	-	-
	(64,737)	793,294	-	-
	<u>737,988</u>	<u>2,007,099</u>	<u>(51,079)</u>	<u>-</u>

A numerical reconciliation of income tax expense/(credit) applicable to profit/(loss) before tax at the applicable statutory income tax rate to income tax expense/(credit) at the effective income tax rate is as follows:

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Profit/(Loss) before tax	8,111,620	5,361,235	852,425	(157,194)
Tax at the applicable tax rate of 25%	2,027,905	1,340,309	213,106	(39,299)
Tax effects of:				
Non-deductible expenses	344,488	1,501,700	82,324	76,755
Pioneer business income	(1,242,250)	(47,250)	-	-
Income not subject to tax	(101,317)	(857,603)	(295,430)	(37,456)
Reduction in income tax rate	(11,238)	-	-	-
Deferred tax liabilities not recognised under pioneer status	(800,000)	-	-	-
Deferred tax assets not recognised	71,150	12,500	-	-
Utilisation of deferred tax not recognised previously	(26,900)	(24,000)	-	-
(Over)/Underprovision in prior years:				
Current tax	(2,183)	86,116	(51,079)	-
Deferred tax	478,333	(4,673)	-	-
	<u>737,988</u>	<u>2,007,099</u>	<u>(51,079)</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

Tex Cycle Technology (M) Berhad

The Finance (No. 2) Act 2014 gazetted on 30 December 2014 enacts the reduction of corporate income tax rate from 25% to 24% with effect from year of assessment 2016. The Real Property Gain Tax is set at 30% for disposal within the first three years, 20% within the fourth year, 15% within the fifth year, and 5% from sixth year onwards, on gain from the disposal of real property effective 1 January 2014. Accordingly, the applicable tax rates to be used for the measurement of any applicable deferred tax will be the expected rates.

Tex Cycle (P2) Sdn. Bhd. ("TCP2"), a wholly-owned subsidiary of the Company, was granted pioneer status under the Promotion of Investment Act, 1967 for a period of 5 years commencing 28 January 2014 to 27 January 2019 by the Malaysian Industrial Development Authority for the recycling and recovery of schedule wastes. By virtue of the TCP2's pioneer status, 70% of the TCP2's statutory business income is to be exempted from income tax. Based on existing tax law, any dividends declared and proposed out of tax-exempted profits will be exempted from income tax in the hands of the shareholder.

As at 31 December 2015, TCP2 has tax-exempt income of approximately RM5,158,000 (2014: RM189,000) in which is subject to agreement to tax authorities. The amount of taxable temporary differences arising from property, plant and equipment in TCP2 amounting to RM3,200,000 (2014: RMNil) are not recognised as deferred tax liabilities as these are expected to realise during the pioneer status period.

As mentioned in Note 3, the deductible temporary differences, unused tax losses and unused tax credits, which would give rise to deferred tax assets are recognised 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. As of 31 December 2015, the estimated deductible temporary differences and unused tax losses for which the related deferred tax assets have not been recognised in the financial statements due to uncertainty of their realisation are as follows:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
Temporary differences arising from inventories	229,000	336,000
Unused tax losses	<u>807,600</u>	<u>416,000</u>
	<u>1,036,600</u>	<u>752,000</u>

The unused tax losses are subject to agreement by the tax authorities.

## 11. EARNINGS PER SHARE

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

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
<b>Basic</b>		
Profit for the year (RM)	<u>7,373,632</u>	<u>3,354,136</u>
Weighted average number of ordinary shares in issue (units of RM0.10 each)	<u>166,705,429</u>	<u>168,558,821</u>
Basic earnings per share (sen)	<u>4.42</u>	<u>1.99</u>

### Diluted

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

# NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold land RM	Freehold building RM	Freehold building RM	Leasehold building RM	Office equipment, furniture and fittings and renovation RM	Factory equipment and electrical installation RM	Motor vehicles RM	Computers RM	Capital work-in-progress RM	Total RM
<b>Cost</b>										
As of 1 January 2014	831,994	733,377	733,377	4,089,030	888,057	5,823,222	3,778,832	324,449	14,119,058	30,588,019
Additions	-	-	-	-	79,790	447,310	1,248,000	202,162	6,038,312	8,015,574
Disposals	-	-	-	-	-	-	(220,712)	-	-	(220,712)
Written off	-	-	-	-	-	-	-	-	(39,734)	(39,734)
Reclassification	-	-	-	-	5,500	10,712,408	-	-	(10,717,908)	-
As of 31 December 2014	831,994	733,377	733,377	4,089,030	973,347	16,982,940	4,806,120	526,611	9,399,728	38,343,147
<b>As of 1 January 2015</b>										
Additions	-	-	-	-	973,347	16,982,940	4,806,120	526,611	9,399,728	38,343,147
Disposals	-	-	-	-	80,918	885,133	1,431,421	85,755	1,936,880	4,420,107
Written off	-	-	-	-	-	-	(902,600)	-	-	(902,600)
Reclassification	-	-	-	7,120,038	-	-	-	-	(23,080)	(23,080)
As of 31 December 2015	831,994	733,377	733,377	11,209,068	1,054,265	17,979,950	5,334,941	612,366	4,081,613	41,837,574

# NOTES TO THE FINANCIAL STATEMENTS

Tex Cycle Technology (M) Berhad

The Group	Freehold land RM	Freehold building RM	Leasehold building RM	Office equipment, furniture and fittings and renovation RM	Factory equipment and electrical installation RM	Motor vehicles RM	Computers RM	Capital work-in-progress RM	Total RM
<b>Accumulated depreciation</b>									
As of 1 January 2014	-	152,934	266,015	564,372	4,130,326	2,420,126	262,765	-	7,796,538
Charge for the year	-	-	71,814	96,991	1,176,116	580,315	68,657	-	1,993,893
Disposals	-	-	-	-	-	(220,712)	-	-	(220,712)
As of 31 December 2014	-	152,934	337,829	661,363	5,306,442	2,779,729	331,422	-	9,569,719
As of 1 January 2015	-	152,934	337,829	661,363	5,306,442	2,779,729	331,422	-	9,569,719
Charge for the year	-	14,667	85,846	100,383	1,647,863	854,597	103,319	-	2,806,675
Disposals	-	-	-	-	-	(902,600)	-	-	(902,600)
As of 31 December 2015	-	167,601	423,675	761,746	6,954,305	2,731,726	434,741	-	11,473,794
<b>Accumulated impairment loss</b>									
As of 1 January 2014,	-	-	-	-	-	-	-	-	628,254
31 December 2014 and	-	-	-	-	628,254	-	-	-	-
31 December 2015	-	-	-	-	-	-	-	-	-
<b>Net book value</b>									
As of 31 December 2015	831,994	565,776	10,785,393	292,519	10,397,391	2,603,215	177,625	4,081,613	29,735,526
As of 31 December 2014	831,994	580,443	3,751,201	311,984	11,048,244	2,026,391	195,189	9,399,728	28,145,174



# NOTES TO THE FINANCIAL STATEMENTS

Included in property, plant and equipment of the Group as of 31 December 2015 are motor vehicles acquired under hire-purchase arrangements with net book value amounting to RM837,602 (2014: RM242,250).

Included in property, plant and equipment of the Group as of 31 December 2015 are fully depreciated property, plant and equipment with an aggregate cost of approximately RM8,389,000 (2014: RM8,807,000) which are still in use.

As of 31 December 2015, leasehold building with a net book value amounting to RM1,834,033 (2014: RM1,855,587) has been pledged as security for the term loan as mentioned in Note 24. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

The accumulated impairment loss were based on the review of the estimated recoverable amounts of the assets of whose profitability were significantly below acceptable levels as determined by the Group.

## 13. PREPAID LEASE PAYMENTS

	The Group	
	2015 RM	2014 RM
<b>Cost</b>		
At beginning of year	14,852,133	13,956,797
Additions	-	895,336
	14,852,133	14,852,133
<b>Accumulated amortisation</b>		
At beginning of year	688,604	503,228
Charge for the year	185,376	185,376
	873,980	688,604
<b>Net</b>	13,978,153	14,163,529

Additions in prepaid lease payments in 2014 represent payment made to land authorities for the conversion of certain leasehold land previously classifies as agriculture land to commercial land.

As of 31 December 2015, the unexpired lease periods of the said leasehold land range from 53 years to 96 years (2014: 54 years to 97 years).

As of 31 December 2015, leasehold land with a carrying amount of RM2,483,032 (2014: RM2,512,432) has been pledged as security for the term loan as mentioned in Note 24. The Group is not allowed to pledge the said leasehold land as security for other borrowings or to sell them to another entity.

# NOTES TO THE FINANCIAL STATEMENTS

Tex Cycle Technology (M) Berhad

## 14. INVESTMENT PROPERTY

The fair value of the investment property was estimated at RM13,000,000 based on valuation by an independent professional firm of valuers, City Valuers & Consultants Sdn. Bhd. dated 31 December 2013. The valuation was based on current prices in an active market for the property.

As of 31 December 2015, the directors of the Company assessed the fair value of the investment property based on the current prices in the market of properties of similar condition and location and the directors are of the view that the carrying amount of the investment property approximates its current fair value.

Rental income and direct operating expenses arising from investment property of the Group has been disclosed in Note 5 and Note 8 respectively.

The fair value of the Group's investment property is classified as a Level 3 fair value item for the purposes of fair value hierarchy disclosures.

## 15. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2015 RM	2014 RM
Unquoted shares - at cost	<u>10,829,282</u>	<u>10,829,282</u>
<b>Accumulated impairment loss</b>		
At beginning of year	250,000	-
Addition during the year (Note 8)	<u>-</u>	<u>250,000</u>
At end of year	<u>250,000</u>	<u>250,000</u>
Net	<u>10,579,282</u>	<u>10,579,282</u>

# NOTES TO THE FINANCIAL STATEMENTS

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

Name of Companies	Proportion of ownership interest and voting rights held by the Group		Principal Activities
	2015 %	2014 %	
Tex Cycle Sdn. Bhd.	100	100	Recovery and recycling of scheduled waste.
Metro Koats Technology Sdn. Bhd.	100	100	Manufacturing and marketing of chemical products.
Metro Envy Sdn. Bhd.	100	100	Rental of investment property
Tex Cycle (P2) Sdn. Bhd.	100	100	Recovery and recycling of scheduled waste.
TC Chemical Sdn. Bhd.	100	100	Trading of chemicals and other products.

## 16. GOODWILL ON CONSOLIDATION

	The Group	
	2015 RM	2014 RM
At beginning and end of year	583,937	583,937

Goodwill acquired in business combinations is allocated, at acquisition date, to cash-generating units ("CGU") that are expected to benefit from that business combination. Goodwill has been allocated to the recovery and recycling services operations of the Group.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

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 reflects 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 2 years and extrapolates cash flows for the following 3 years based on estimated growth rate of 4.7% (2014: 4.7%) per annum. The discount rate used is 4.65% (2014: 4.4%) per annum.

### Sensitivity to change in assumption

With regards to the assessment of value-in-use of the CGUs, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the units to materially differ from the recoverable amounts.

# NOTES TO THE FINANCIAL STATEMENTS

Tex Cycle Technology (M) Berhad

## 17. INVENTORIES

	The Group	
	2015 RM	2014 RM
Recycled products	203,722	512,124
Work-in-progress	-	8,229
Finished goods	564,096	270,916
	<u>767,818</u>	<u>791,269</u>
Less: Allowance for slow-moving inventories	(495,760)	(495,760)
	<u>272,058</u>	<u>295,509</u>

## 18. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

Trade receivables consist of:

	The Group	
	2015 RM	2014 RM
Trade receivables	9,678,170	8,787,382
Less: Allowance for doubtful debts	(2,511,175)	(2,506,523)
	<u>7,166,995</u>	<u>6,280,859</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 (2014: 30 to 90 days).

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but where the Group has not recognised an allowance for doubtful debts as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group fully impaired all receivables due for more than 545 days with serious doubt of recovery and other estimated irrecoverable amounts. It does not hold any collateral over these impaired balances. The average age of these receivables is 105 days (2014: 151 days).

# NOTES TO THE FINANCIAL STATEMENTS

## Aging of past due but not impaired

	<b>The Group</b>	
	<b>2015 RM</b>	<b>2014 RM</b>
61 - 90 days	885,725	252,995
91 - 120 days	699,721	248,082
121 - 150 days	730,820	75,330
151 - 180 days	17,187	433,961
181 - 210 days	1,467,522	281,933
211 - 240 days	-	340,255
241 - 270 days	7,054	254,081
271 - 300 days	-	393,524
301 - 330 days	-	894,861
331 - 365 days	-	46,711
366 - 545 days	114,966	215,259
	<u>3,922,995</u>	<u>3,436,992</u>

## Movement in allowance for doubtful debts

	<b>The Group</b>	
	<b>2015 RM</b>	<b>2014 RM</b>
At beginning of year	2,506,523	2,459,420
Charge for the year (Note 8)	582,613	448,176
Allowance for doubtful debts no longer required (Note 8)	(479,536)	(401,073)
Written off during the year	(98,425)	-
At end of year	<u>2,511,175</u>	<u>2,506,523</u>

## Aging of impaired trade receivables

	<b>The Group</b>	
	<b>2015 RM</b>	<b>2014 RM</b>
More than 545 days	<u>2,511,175</u>	<u>2,506,523</u>

Other receivables and prepaid expenses consist of:

	<b>The Group</b>		<b>The Company</b>	
	<b>2015 RM</b>	<b>2014 RM</b>	<b>2015 RM</b>	<b>2014 RM</b>
Other receivables	190,079	172,518	1,723	-
Refundable deposits	286,066	943,308	1,000	1,000
Prepaid expenses	174,508	166,342	4,265	43,480
	<u>650,653</u>	<u>1,282,168</u>	<u>6,988</u>	<u>44,480</u>
Less: Allowance for doubtful debts	(55,000)	(55,000)	-	-
	<u>595,653</u>	<u>1,227,168</u>	<u>6,988</u>	<u>44,480</u>

# NOTES TO THE FINANCIAL STATEMENTS

Tex Cycle Technology (M) Berhad

Included in refundable deposits of the Group is an amount of RMNil (2014: RM552,900) represents deposits paid for the purchase of certain motor vehicles.

Other receivables mainly represent non-trade purchases which are not past due and not impaired. Included in other receivables of the Group and of the Company is goods and services tax receivable of RM9,611 (2014: RMNil) and RM1,723 (2014: RMNil) respectively.

## 19. INVESTMENT IN UNIT TRUSTS

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>At fair value:</b>				
At beginning of year	3,421,161	5,060,876	-	1,860,611
Additions (Note 8)	128,172	140,049	-	16,460
Disposal	-	(1,877,071)	-	(1,877,071)
Changes in fair value (Note 8)	165,146	97,307	-	-
At end of year	<u>3,714,479</u>	<u>3,421,161</u>	<u>-</u>	<u>-</u>

Investment in unit trusts is managed by a local financial institution, where approximately 69.8% to 99.8% of the unit trust's net asset value will be invested in medium to long-term government bonds, private debt securities and fixed income instruments. The balance shall be allocated to equity instruments, cash deposits and short-term money market instruments.

Investment in unit trusts is valued with reference to the latest unit price as of the reporting date as advised by the investment manager.

## 20. RELATED PARTY TRANSACTIONS

Amount owing by/(to) subsidiary companies which arose mainly from advances and payments on behalf, is unsecured, interest-free and repayable on demand.

### Compensation of key management personnel

The remuneration of key management personnel (excluding directors whose remuneration are disclosed in Note 9) during the financial year is as follows:

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Short-term employee benefits	755,813	364,000	-	-
Contributions to EPF	90,851	44,873	-	-
	<u>846,664</u>	<u>408,873</u>	<u>-</u>	<u>-</u>



# NOTES TO THE FINANCIAL STATEMENTS

## 21. ISSUED CAPITAL AND TREASURY SHARES

	The Group and The Company			
	No. of shares		RM	
	2015	2014	2015	2014
			RM	RM
<b>Authorised:</b>				
Ordinary shares of RM0.10 each	<u>200,000,000</u>	<u>200,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>
<b>Issued and fully paid:</b>				
Ordinary shares of RM0.10 each	<u>170,793,000</u>	<u>170,793,000</u>	<u>17,079,300</u>	<u>17,079,300</u>
<b>Treasury shares:</b>				
At beginning of year	1,681,100	1,097,600	806,381	473,988
Repurchased during the year	<u>151,600</u>	<u>583,500</u>	<u>89,070</u>	<u>332,393</u>
At end of year	<u>1,832,700</u>	<u>1,681,100</u>	<u>895,451</u>	<u>806,381</u>

The repurchased shares were financed by internally generated funds and the average price paid for the shares was 59 sen (2014: 57 sen) per share. The repurchased shares are held as treasury shares in accordance with Schedule 67A of the Companies Act, 1965.

## 22. RESERVES

	The Group		The Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
<b>Non-Distributable:</b>				
Share premium	4,521,517	4,521,517	4,521,517	4,521,517
<b>Distributable:</b>				
Retained earnings	<u>49,942,191</u>	<u>43,836,069</u>	<u>61,652</u>	<u>425,658</u>
	<u>54,463,708</u>	<u>48,357,586</u>	<u>4,583,169</u>	<u>4,947,175</u>

	The Group and The Company	
	2015	2014
	RM	RM
<b>Share premium</b>		
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>

# NOTES TO THE FINANCIAL STATEMENTS

Tex Cycle Technology (M) Berhad

## Retained earnings

The Company is currently under the single-tier tax system. The entire retained earnings is available for distribution of single-tier dividend under the single-tier tax system.

## 23. HIRE-PURCHASE PAYABLES

	The Group	
	2015 RM	2014 RM
Total outstanding	399,649	134,397
Less: Interest-in-suspense	<u>(20,065)</u>	<u>(5,024)</u>
Principal outstanding	379,584	129,373
Less: Amount due within 12 months (shown under current liabilities)	<u>(183,571)</u>	<u>(76,489)</u>
Non-current portion	<u>196,013</u>	<u>52,884</u>

The non-current portion is payable as follows:

	The Group	
	2015 RM	2014 RM
Financial years ending 31 December:		
2015	-	52,884
2016	137,044	-
2017	<u>58,969</u>	<u>-</u>
	<u>196,013</u>	<u>52,884</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 approximately 3 years. For the financial year ended 31 December 2015, the effective borrowing rate ranged from 4.48% to 4.65% (2014: 4.48% to 7.59%) per annum. Interest rates are fixed at the inception of the hire-purchase arrangements.

The Group's hire-purchase payables are secured by the financial institutions' charge over the assets under hire-purchase.

## 24. TERM LOAN - SECURED

	The Group	
	2015 RM	2014 RM
Principal outstanding	4,384,141	4,748,694
Less: Amount due within 12 months	<u>(451,632)</u>	<u>(451,632)</u>
Non-current portion	<u>3,932,509</u>	<u>4,297,062</u>

# NOTES TO THE FINANCIAL STATEMENTS

The non-current portion is repayable as follows:

	The Group	
	2015 RM	2014 RM
Between 1 - 2 years	903,264	903,264
Between 3 - 4 years	903,264	903,264
Between 5 - 8 years	1,806,528	1,806,528
More than 8 years	319,453	684,006
	<u>3,932,509</u>	<u>4,297,062</u>

In 2012, the Group obtained a term loan amounting to RM6,000,000 from a licensed bank for working capital purposes. The term loan bears interest at the bank's BLR - 2.2%. The weighted average effective interest rate on the loan is 4.65% (2014: 4.65%) per annum. The said loan is secured by:

- (i) A registered open all monies First Party charge stamped nominally over the leasehold land and building as mentioned under Notes 12 and 13; and
- (ii) A corporate guarantee by the Company.

## 25. DEFERRED TAX LIABILITIES

The movements during the financial year relating to deferred tax liabilities are as follows:

	The Group	
	2015 RM	2014 RM
At beginning of year	918,737	125,443
Charge/(Credit) to profit or loss (Note 10):		
Temporary differences arising from:		
Property, plant and equipment	(266,976)	773,072
Unutilised business losses	(35,000)	-
Investment property	269,000	-
Cash and bank balances	7,000	-
Other receivables	(3,514)	-
Trade receivables	(35,247)	19,896
Inventories	-	326
	<u>(64,737)</u>	<u>793,294</u>
At end of year	<u>854,000</u>	<u>918,737</u>

# NOTES TO THE FINANCIAL STATEMENTS

Tex Cycle Technology (M) Berhad

Deferred tax assets and liabilities provided in the financial statements are in respect of the tax effects of the following:

	The Group	
	2015 RM	2014 RM
<b>Deferred tax assets (before offsetting):</b>		
Temporary differences arising from:		
Trade receivables	322,404	287,157
Unutilised business losses	35,000	-
Other receivables	3,514	-
	<u>360,918</u>	<u>287,157</u>
Offsetting	<u>(360,918)</u>	<u>(287,157)</u>
<b>Deferred tax assets (after offsetting)</b>	<u>-</u>	<u>-</u>
<b>Deferred tax liabilities (before offsetting):</b>		
Temporary differences arising from:		
Investment property	(269,000)	-
Property, plant and equipment	(938,918)	(1,205,894)
Cash and bank balances	(7,000)	-
	<u>(1,214,918)</u>	<u>(1,205,894)</u>
Offsetting	<u>360,918</u>	<u>287,157</u>
<b>Deferred tax liabilities (after offsetting)</b>	<u>(854,000)</u>	<u>(918,737)</u>

The unutilised business losses is subject to the agreement by the tax authorities.

## 26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables comprise amounts outstanding for trade purchases. The credit period granted to the Group for trade purchases ranges from 30 to 90 days (2014: 30 to 90 days).

Other payables and accrued expenses consist of:

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Other payables	533,292	286,900	-	-
Refundable deposits from tenants	291,276	277,969	-	-
Provision for litigation costs (Note 32)	-	1,656,250	-	-
Accrued expenses	603,604	229,081	39,200	35,700
Amount owing to directors	187,957	187,957	-	-
	<u>1,616,129</u>	<u>2,638,157</u>	<u>39,200</u>	<u>35,700</u>

# NOTES TO THE FINANCIAL STATEMENTS

Amount owing to directors, which arose mainly from advances and payments on behalf, is unsecured, interest-free and repayable on demand. Included in other payables of the Group is goods and services tax payable of RM308,530 (2014: RMNil).

During the financial year, the Group has made a payment amounting to RM1,625,000 to a legal stakeholder in relation to the appeal to the Court of Appeal as stated in Note 32. The remaining provision has been adjusted as provision for litigation costs no longer required and disclosed in Note 8.

## 27. DIVIDENDS

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>In respect of financial year 2013:</b>				
First and final single tier dividend of RM0.0050 per share on 170,793,000 ordinary shares of RM0.10 each	-	847,213	-	847,213
<b>In respect of financial year 2014:</b>				
First and final single tier dividend of RM0.0025 per share on 170,793,000 ordinary shares of RM0.10 each	422,608	-	422,608	-
<b>In respect of financial year 2015:</b>				
Interim single tier dividend of RM0.0049 per share on 170,793,000 ordinary shares of RM0.10 each	844,902	-	844,902	-
	<u>1,267,510</u>	<u>847,213</u>	<u>1,267,510</u>	<u>847,213</u>

## 28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash on hand and at banks	6,923,653	4,637,703	1,537,931	69,913
Short-term deposits with a licensed investment bank	221,859	411,173	87,164	280,595
	<u>7,145,512</u>	<u>5,048,876</u>	<u>1,625,095</u>	<u>350,508</u>

The short-term deposits with a licensed investment bank earn interest at an average rate of 3.15% (2014: 2.70%) per annum and have maturity periods ranging from 7 to 30 days (2014: 7 to 30 days).

# NOTES TO THE FINANCIAL STATEMENTS

Tex Cycle Technology (M) Berhad

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

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Ringgit Malaysia	6,985,383	5,008,762	1,625,095	350,508
United States Dollar	160,129	40,114	-	-
	<u>7,145,512</u>	<u>5,048,876</u>	<u>1,625,095</u>	<u>350,508</u>

## 29. FINANCIAL INSTRUMENTS

### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

### Capital risk management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The capital structure of the Group comprises a mixture of issued capital, retained earnings and external borrowings.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2015.

Under the requirement of Bursa Malaysia Guidance Note No. 3, the Group is required to maintain consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares). The Group has complied with this requirement.

### Categories of financial instruments

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Financial assets</b>				
Loans and receivables:				
Trade receivables	7,166,995	6,280,859	-	-
Other receivables and refundable deposits (Note 18)	411,534	1,060,826	1,000	1,000
Amount owing by subsidiaries	-	-	8,577,251	10,259,974
	<u>7,578,529</u>	<u>7,341,685</u>	<u>8,578,251</u>	<u>10,260,974</u>
Designated as at FVTPL:				
Investment in unit trusts	3,714,479	3,421,161	-	-
Cash and bank balances	<u>7,145,512</u>	<u>5,048,876</u>	<u>1,625,095</u>	<u>350,508</u>



# NOTES TO THE FINANCIAL STATEMENTS

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Financial liabilities</b>				
Amortised cost:				
Trade payables	184,067	130,734	-	-
Other payables and accrued expenses (Note 26)	1,276,349	1,013,157	39,200	35,700
Hire-purchase payables (Note 23)	379,584	129,373	-	-
Term loan (Note 24)	4,384,141	4,748,694	-	-
Amount owing to a subsidiary	-	-	3,948	-
	<u>6,224,141</u>	<u>6,021,958</u>	<u>43,148</u>	<u>35,700</u>

## Financial risk management objectives and policies

The operations of the Group and of the Company are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group and the Company have formulated a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities.

Various risk management policies are formulated for observation in the day-to-day operations for controlling and managing the risks associated with financial instruments.

## Foreign currency risk management

The Group is exposed to foreign exchange rate risk as certain non-trade transactions and investments are denominated in foreign currencies. Exchange rate exposures are managed by maintaining a foreign currency bank account and closely monitoring the fluctuation of the rate.

The carrying amount of the Group's foreign currency denominated in United States Dollar ("USD") monetary asset at the reporting date is as follows:

	The Group	
	2015 RM	2014 RM
Cash and bank balances (Note 28)	<u>160,129</u>	<u>40,114</u>

## Foreign currency sensitivity

The Company is mainly exposed to USD.

The following table details the Group's sensitivity to a 10 per cent increase in Ringgit Malaysia against the foreign currency. The 10 per cent is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10 per cent change in foreign currency rates. A positive/(negative) number below indicates an increase/(decrease) in profit and other equity where the relevant currency strengthens/(weakens) by 10% against the Ringgit Malaysia.

# NOTES TO THE FINANCIAL STATEMENTS

Tex Cycle Technology (M) Berhad

	USD Impact The Group	
	2015 RM	2014 RM
Profit or loss	16,013	4,011

## Interest rate risk management

The Group is exposed to interest rate risk through the impact of rate changes on short-term deposits, hire-purchase arrangements and term loans.

The interest rates of the Group's hire purchase agreements, term loans and short-term deposits are disclosed in Notes 23, 24 and 28 respectively. Interest rates of short-term deposits are fixed at the inception of term deposits. Interest rates of hire-purchase payables are fixed at the inception of the hire-purchase arrangements.

### Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for floating rate interest bearing borrowings and is prepared assuming the amount of liability outstanding at the reporting period end date was outstanding for the whole year. A 50 basis point increase or decrease is used.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would decrease/increase by approximately RM22,000 (2014: RM24,000). This is mainly attributable to the Group's exposure to interest rates on its term loans.

## Credit risk management

The Group's and the Company's exposure to credit risk arises from its receivables and the maximum risk associated with recognised financial assets are the carrying amounts as presented in the statements of financial position.

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

The Group does not have significant credit risk exposure to any single counterparty, other than the largest customer of the Group. Concentration of credit risk related to this customer did not exceed 20% of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year.

The Company is exposed to credit risk mainly from amount owing by subsidiaries.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

## Liquidity risk management

The Group and the Company practise prudent liquidity risk management to minimise the mismatch of financial assets and financial liabilities. The Group's and the Company's holding of cash and cash equivalent is expected to be sufficient to cover its cash flow needs in the next financial year.

### Financial liabilities

The Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods are disclosed in Note 23 for hire-purchase payables and Note 24 for term loans.

# NOTES TO THE FINANCIAL STATEMENTS

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company are required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group and the Company may be required to pay.

The Group	Weighted average effective interest rate %	Less than 1 year RM	1 - 5 years RM	More than 5 years RM	Total RM
<b>31 December 2015</b>					
Hire-purchase payables	4.48 to 4.65	196,881	202,768	-	399,649
Term loan	4.65	451,632	2,258,160	4,516,320	7,226,112
		<u>648,513</u>	<u>2,460,928</u>	<u>4,516,320</u>	<u>7,625,761</u>
<b>31 December 2014</b>					
Hire-purchase payables	4.85	80,652	53,745	-	134,397
Term loan	4.65	451,632	2,258,160	4,967,952	7,677,744
		<u>532,284</u>	<u>2,311,905</u>	<u>4,967,952</u>	<u>7,812,141</u>
<b>The Company</b>					
<b>31 December 2015</b>					
Financial guarantee contract	-	4,348,141	-	-	4,348,141
<b>31 December 2014</b>					
Financial guarantee contract	-	4,748,694	-	-	4,748,694

All other financial liabilities are repayable on demand or due within one year from the end of the reporting period.

The amount included in the Company for financial guarantee contract are the maximum amount of the Company could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectation at the end of the reporting period, the Company considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

## Fair values of financial assets and financial liabilities

The fair values of financial instruments refer to the amounts at which the instruments could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. Fair values have been arrived at based on prices quoted in an active, liquid market or estimated using certain valuation techniques such as discounted future cash flows based upon certain assumptions. Amounts derived from such methods and valuation techniques are inherently subjective and therefore do not necessarily reflect the amounts that would be received or paid in the event of immediate settlement of the instruments concerned.

On the basis of the amounts estimated from the methods and techniques as mentioned in the preceding paragraph, the carrying amounts of the various financial assets and financial liabilities reflected on the statements of financial position approximate their fair values.

The methodologies used in arriving at the fair values of the principal financial assets and financial liabilities of the Group are as follows:

- **Cash and bank balances, trade and other receivables, refundable deposits, trade and other payables, accrued expenses and amount owing to directors:** The carrying amounts are considered to approximate the fair values as they are either within the normal credit terms or they have short-term maturity period.
- **Other financial assets:** The fair value of investment in unit trusts is calculated based on net asset value published by the fund manager.
- **Hire-purchase payables:** The fair values of hire-purchase payables is determined by estimating future cash flows on a borrowing-by-borrowing basis, and discounting these future cash flows using an interest rate which takes into consideration the Group's incremental borrowing rate at year end for similar types of debt arrangements.
- **Term loan:** As the term loan was obtained from licensed financial institutions at the prevailing market rate, the carrying value of these financial liabilities approximates its fair value.

## Fair value measurements recognised in the statements of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# NOTES TO THE FINANCIAL STATEMENTS

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>The Group</b>				
<b>31 December 2015</b>				
<b>Financial asset at FVTPL</b>				
Investment in unit trusts	3,714,479	-	-	3,714,479
<b>31 December 2014</b>				
<b>Financial assets at FVTPL</b>				
Investment in unit trusts	3,421,161	-	-	3,421,161

There were no transfers between Levels 1 and 2 during the year.

### 30. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business segments, which reflect the Group's internal reporting structure that are regularly reviewed by the Group's chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

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

Reportable Segments	Descriptions
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
Trading	Trading of chemicals and other products
Others	Rental of investment property

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

# NOTES TO THE FINANCIAL STATEMENTS

Tex Cycle Technology (M) Berhad

The Group 2015	Investment holding RM	Recovery and recycling services RM	Manufacturing RM	Trading RM	Others RM	Eliminations RM	Total RM
<b>Revenue</b>							
External sales	-	24,222,878	365,593	381,634	974,592	-	25,944,697
Inter-segment sales	1,132,000	69,857	410	-	-	(1,202,267)	-
<b>Total revenue</b>	<b>1,132,000</b>	<b>24,292,735</b>	<b>366,003</b>	<b>381,634</b>	<b>974,592</b>	<b>(1,202,267)</b>	<b>25,944,697</b>
<b>Results</b>							
Segment results	842,762	7,999,194	207,010	(614,225)	885,010	(1,132,000)	8,187,751
Finance costs							(101,312)
Interest income							25,181
Profit before tax							8,111,620
Income tax expense							(737,988)
<b>Profit for the year</b>							<b>7,373,632</b>

(Forward)



# NOTES TO THE FINANCIAL STATEMENTS

<b>The Group 2015</b>	<b>Investment holding RM</b>	<b>Recovery and recycling services RM</b>	<b>Manufacturing RM</b>	<b>Trading RM</b>	<b>Others RM</b>	<b>Eliminations RM</b>	<b>Total RM</b>
<b>Assets</b>							
Segment assets	8,293,272	65,366,545	2,900,056	22,956,898	14,747,890	(38,072,348)	76,192,313
Unallocated corporate assets							2,036,263
Consolidated total assets							78,228,576
<b>Liabilities</b>							
Segment liabilities	43,150	17,053,808	300,592	24,576,918	2,661,801	(38,072,348)	6,563,921
Unallocated corporate liabilities							1,017,098
Consolidated total liabilities							7,581,019
<b>Other Information</b>							
Additions to capital expenditure (Notes 12 and 13)	-	4,416,147	-	3,960	-	-	4,420,107
Depreciation and amortisation (Notes 12 and 13)	-	2,640,044	15,867	336,140	-	-	2,992,051

# NOTES TO THE FINANCIAL STATEMENTS

Tex Cycle Technology (M) Berhad

The Group 2014	Investment holding RM	Recovery and recycling services RM	Manufacturing RM	Trading RM	Others RM	Eliminations RM	Total RM
<b>Revenue</b>							
External sales	-	19,794,811	787,306	615,573	936,572	-	22,134,262
Inter-segment sales	450,000	3,531,292	-	-	-	(3,981,292)	-
<b>Total revenue</b>	<u>450,000</u>	<u>23,326,103</u>	<u>787,306</u>	<u>615,573</u>	<u>936,572</u>	<u>(3,981,292)</u>	<u>22,134,262</u>
<b>Results</b>							
Segment results	(178,190)	4,307,296	139,181	463,246	867,314	(200,000)	5,398,847
Finance costs							(79,894)
Interest income							42,282
Profit before tax							5,361,235
Income tax expense							(2,007,099)
<b>Profit for the year</b>							<u>3,354,136</u>
(Forward)							

# NOTES TO THE FINANCIAL STATEMENTS

The Group 2014	Investment holding RM	Recovery and recycling services RM	Manufacturing RM	Trading RM	Others RM	Eliminations RM	Total RM
<b>Assets</b>							
Segment assets	8,738,899	61,074,870	2,520,705	21,856,643	14,083,592	(36,108,496)	72,166,213
Unallocated corporate assets							1,029,987
Consolidated total assets							73,196,200
<b>Liabilities</b>							
Segment liabilities	35,700	17,818,361	369,138	22,862,449	2,669,806	(36,108,496)	7,646,958
Unallocated corporate liabilities							918,737
Consolidated total liabilities							8,565,695
<b>Other Information</b>							
Additions to capital expenditure (Notes 12 and 13)	-	4,425,788	-	4,485,122	-	-	8,910,910
Depreciation and amortisation (Notes 12 and 13)	-	1,848,637	21,557	309,075	-	-	2,179,269

# NOTES TO THE FINANCIAL STATEMENTS

Tex Cycle Technology (M) Berhad

## 31. OPERATING LEASE ARRANGEMENTS

The Group has entered into a number of commercial property lease contracts on its investment property. These lease contracts are non-cancellable and have remaining lease terms of between 1 to 3 years. The lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Future minimum rental income by the Group from its investment property under these non-cancellable operating lease contracts, is as follows:

	2015 RM	2014 RM
Not later than 1 year	598,580	974,592
Later than 1 year and not later than 5 years	228,100	826,680
	<u>826,680</u>	<u>1,801,272</u>

## 32. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 20 March 2014, TC Chemical Sdn. Bhd (“TCCSB”) a wholly owned subsidiary of the Company, filed a claim in the High Court of Malaya against Petrozchem Sdn Bhd. (“PSB”) and Petrozchem Oilfield Services Sdn. Bhd. (“POSB”) to claim the outstanding amount of RM1,220,912 for the supply of Synthetic Based Mud to PSB including 5% per annum interest and other reliefs. PSB had by an assignment agreement dated 23 November 2012 transferred the entire business including all assets and liabilities to POSB.

On 2 June 2014, POSB had filed a counter claim in the High Court of Malaya against TCCSB for the refund of RM1,500,000 which represents part payment made by POSB to TCCSB in prior years for the supply of Synthetic Based Mud and a further claim for accounts to be taken including general damages and costs.

On 19 December 2014, the High Court of Malaya had dismissed TCCSB’s claim against PSB and POSB and had allowed the counter claim by POSB for RM1,500,000. Further on 13 March 2015, the High Court of Malaya had dismissed the remaining counterclaims against TCCSB made by POSB and further awarded POSB costs of RM125,000.

Subsequently TCCSB filed an appeal and POSB filed a cross appeal against each other respectively on all claims. On 14 May 2015 TCCSB obtained a Stay of Execution in relation to the Company’s appeal to the Court of Appeal and paid to a legal stakeholder the judgement sum of RM1,500,000 and costs of RM125,000. The Court of Appeal had fixed a hearing on 1 March 2016 which is now rescheduled for a case management on 21 April 2016.

## 33. COMPARATIVE FIGURES

Certain comparative figures in the financial statements of the Group have been reclassified to conform with the presentation in the current financial year. These relate mainly to the following:

	As previously reported RM	Reclassification RM	As reclassified RM
<b>Statement of profit or loss and other comprehensive income for the year ended 31 December 2014</b>			
Revenue	21,197,690	936,572	22,134,262
Other operating income	<u>2,018,709</u>	<u>(936,572)</u>	<u>1,082,137</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 34. SUPPLEMENTARY INFORMATION - DISCLOSURE ON REALISED AND UNREALISED PROFITS/ LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad (“Bursa Malaysia”) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities ACE Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as of the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the retained earnings of the Group and of the Company as of 31 December 2015 into realised and unrealised profits, pursuant to the directive, is as follows:

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Total retained earnings of the Company and its subsidiaries</b>				
Realised	51,153,213	45,388,653	61,652	425,658
Unrealised	7,034,321	6,942,759	-	-
	<u>58,187,534</u>	<u>52,331,412</u>	<u>61,652</u>	<u>425,658</u>
Less: Consolidation adjustments	(8,245,343)	(8,245,343)	-	-
<b>Total retained earnings as per statements of financial position</b>	<u>49,942,191</u>	<u>43,836,069</u>	<u>61,652</u>	<u>425,658</u>

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 “Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements” as issued by the Malaysian Institute of Accountants on 20 December 2010. A charge or a credit to the profit or loss of a legal entity is deemed realised when it arises from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

This supplementary information has been made solely for complying with the disclosure requirements as stipulated in the directives of Bursa Malaysia Securities Berhad and is not made for any other purposes.

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

Tex Cycle Technology (M) Berhad

## STATEMENT BY DIRECTORS

The directors of **TEX CYCLE TECHNOLOGY (M) BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

The supplementary information set out in Note 34 on page 102, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 “Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements” as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

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

\_\_\_\_\_  
**HO SIEW CHOONG**

\_\_\_\_\_  
**PERIASAMY A/L SINAKALAI**

Puchong  
23 March 2016

## 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 financial statements, 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 above named **GERALDINE HII SIAW WEI** at **PETALING JAYA** this 23rd day of March 2016.

Before me,

\_\_\_\_\_  
**COMMISSIONER FOR OATHS**

# ANALYSIS OF SHAREHOLDINGS AS AT 8 MARCH 2016

## SHARE CAPITAL

Authorised Share Capital	:	RM20,000,000.00 (200,000,000 Ordinary Shares of RM0.10 each)
Issued and Fully Paid Share Capital	:	RM16,896,030.00 (168,960,300 Ordinary Shares of RM0.10 each (excluding 1,832,700 treasury shares))
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	6	0.78	190	0.00
100 to 1,000	91	11.79	58,350	0.03
1,001 to 10,000	353	45.73	1,930,400	1.14
10,001 to 100,000	233	30.18	7,703,800	4.56
100,001 to less than 5% of issued shares	88	11.40	86,874,601	51.42
5% and above of issued shares	1	0.13	72,392,959	42.85
<b>Total</b>	<b>772</b>	<b>100.00</b>	<b>168,960,300</b>	<b>100.00</b>

## STATEMENT OF DIRECTORS' SHAREHOLDINGS

Name of Directors	< -----Direct----- >		< -----Indirect----- >	
	No. of Shares	%	No. of Shares	%
Ho Siew Choong	8,232,903	4.87	72,594,959	*42.96
Periasamy A/L Sinakalai	7,714,765	4.57	72,997,459	^43.20
Ho Siew Cheong	4,284,965	2.54	72,392,959	#42.84
Ho Siew Weng	2,239,597	1.33	72,790,459	##43.08
Ravindran Markandu	200,000	0.12	3,000	###0.002
Alagasan A/L Varatharajoo	20,000	0.01	-	-
Razali Bin Jantan	-	-	-	-

Notes:-

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

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



# ANALYSIS OF SHAREHOLDINGS AS AT 8 MARCH 2016

Tex Cycle Technology (M) Berhad

*## Deemed interested 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 interested by virtue of Section 134(12)(c) of the Companies Act, 1965 via his spouse's direct shareholdings in Tex Cycle Technology (M) Berhad.*

## SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	< -----Direct----- >		< ----Indirect----- >	
	No. of Shares	%	No. of Shares	%
Can Cycle Sdn. Bhd.	72,392,959	42.85	-	-
Ho Siew Choong	8,232,903	4.87	72,594,959	*42.96
Periasamy A/L Sinakalai	7,714,765	4.57	72,997,459	^43.20
Ho Siew Cheong	4,284,965	2.54	72,392,959	#42.84
Ho Siew Weng	2,239,597	1.33	72,790,459	###43.08

Notes:-

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

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

*### Deemed interested 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.*

# THIRTY (30) LARGEST SHAREHOLDERS AS AT 8 MARCH 2016

## THIRTY (30) LARGEST SHAREHOLDERS AS AT 8 MARCH 2016

No.	Name of Shareholders	No. of Shares	%
1	Can Cycle Sdn. Bhd.	72,392,959	42.85
2	Ho Siew Choong	8,232,903	4.87
3	Periasamy A/L Sinakalai	7,714,765	4.57
4	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Kidsave Trust	4,500,000	2.66
5	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Equity Trust	4,056,000	2.40
6	Ho Siew Cheong	3,988,965	2.36
7	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Smart Treasure Fund	3,820,000	2.26
8	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai (Margin)	3,576,900	2.12
9	Teo Kwee Hock	3,338,500	1.98
10	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB-OSK Private Fund – Series 3	3,058,400	1.81
11	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank New York (Norges Bank 14)	2,567,800	1.52
12	Fready A/L Joseph	2,436,900	1.44
13	Ho Mah Lee @ Ho Chwee Keng	2,363,000	1.40
14	Yusseri Bin Said	2,350,130	1.39
15	Ho Siew Weng	1,867,597	1.11
16	Ho Siew Kee	1,837,670	1.09
17	Fong Yuet Siong	1,826,000	1.08
18	Soong Ik Lin	1,816,500	1.08
19	Lee Yuen Kong	1,477,800	0.87
20	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Meng Leng (TAN0950C)	1,457,500	0.86
21	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Growth Fund	1,431,200	0.85
22	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Emerging Opportunity Unit Trust	1,181,200	0.70
23	Chuah Kooi Peng	1,032,800	0.61
24	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Penny Stockfund	938,200	0.56
25	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chai Yee Wah (M09)	858,400	0.51
26	Abdul Aziz Bin Hashim	800,000	0.47
27	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Malaysia Dividend Fund	800,000	0.47
28	Soong Ik Lin	780,000	0.46
29	Cimsec Nominees (Asing) Sdn. Bhd. CIMB for Crescendo Assets Limited (PB)	670,000	0.40
30	Cheong Yoke Sim	622,800	0.37
	<b>Total</b>	<b>143,794,889</b>	<b>85.11</b>

# LIST OF PROPERTIES AS AT 31 DECEMBER 2015

Tex Cycle Technology (M) Berhad

Location	Description/ Existing Use	Land Area (Square Metres)	Built-up Area (Square Metres)	Approximate Age of Building	Tenure	Net Book Value @ 31 December 2015 RM	Year of Acquisition	Last Date of Valuation
<b>Tex Cycle Sdn Bhd</b> 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 / TCSB's headquarters and recycling facility	2,108.29	1,100	18 years	99 years leasehold up to 18 January 2093	1,969,467	1999	N/A
	Double storey fully enclosed factory / Recycling and storage facility	1,980.34	1,980.34	18 years	99 years leasehold up to 18 January 2093	2,347,599	2002	N/A
<b>Metro Koats Technology Sdn Bhd</b> 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 / MKT's headquarters, manufacturing and storage facility	2,033	550	12 year	Freehold	1,404,027	2003	N/A

# LIST OF PROPERTIES AS AT 31 DECEMBER 2015

Location	Description/ Existing Use	Land Area (Square Metres)	Built-up Area (Square Metres)	Approximate Age of Building	Tenure	Net Book Value @ 31 December 2015 RM	Year of Acquisition	Last Date of Valuation
<b>Metro Envy</b> 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 <sup>^</sup>	4,822.7	3,668.65	20 years	99 years leasehold up to 25 May 2065	13,000,000	2005	31.12.2013
<b>TC Chemical Sdn Bhd</b> PT No. 8942 HS(M) 1528 Mukim Klang Negeri Selangor	Single storey detached factory / Recycling and storage facility	5,602	7,708.49	9 years	99 years leasehold up to 28 January 2068	6,167,299	2011	N/A
PT 8960 HS(M) 1380, Mukim Klang, Daerah Klang, Negeri Selangor	Single storey detached factory / Recycling and storage facility	9,337	N/A	1 year	99 years leasehold up to 26 February 2112	15,977,638	2012	N/A

<sup>^</sup> Rented for RM81,216 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

Tex Cycle Technology (M) Berhad

**NOTICE IS HEREBY GIVEN** that the Twelfth Annual General Meeting of TEX CYCLE TECHNOLOGY (M) BERHAD (Company No.: 642619-P) will be held at Kota Permai Golf and Country Club, Room Danau 3, No.1, Jalan 31/100A, Kota Kemuning, Section 31, 40460 Shah Alam, Selangor Darul Ehsan on Wednesday, 11 May 2016 at 10.00 a.m. for the following purposes:

## ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon. *Note B*
2. To approve the payment of Directors' fee for the financial year ended 31 December 2015. *Resolution 1*
3. To re-elect the following Directors who are retiring under Article 80 of the Company's Articles of Association:
  - a) Ho Siew Choong *Resolution 2*
  - b) Ravindran A/L Markandu *Resolution 3*
4. To re-appoint Messrs. Deloitte as the Company's Auditors and to authorise the Board of Directors to fix their remuneration. *Resolution 4*

## SPECIAL BUSINESS:

5. To consider and, if thought fit, pass with or without modifications, the following Ordinary Resolutions:
  - (a) **Ordinary Resolution 1** *Resolution 5*
    - **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 **AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares to be issued on Bursa Malaysia Securities Berhad **AND THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.”
  - (b) **Ordinary Resolution 2** *Resolution 6*
    - **Retention of Razali Bin Jantan as Independent Non-Executive Director**

“**THAT** Encik Razali Bin Jantan who has served as an Independent Non-Executive Director for a cumulative term of more than 9 years be and is hereby retained as an Independent Non-Executive Director until the conclusion of the next Annual General Meeting.”

# NOTICE OF ANNUAL GENERAL MEETING

**(c) Ordinary Resolution 3**

*Resolution 7*

- **Retention of Ravindran A/L Markandu as Independent Non-Executive Director**

“**THAT** Mr. Ravindran A/L Markandu who has served as an Independent Non-Executive Director for a cumulative term of more than 9 years be and is hereby retained as an Independent Non-Executive Director until the conclusion of the next Annual General Meeting.”

**(d) Ordinary Resolution 4**

*Resolution 8*

- **Proposed Renewal of Shareholders’ Mandate for Share Buy-Back**

“**THAT** subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and all other prevailing laws, rules, regulations and orders issued and/or amended from time to time by the relevant regulatory authorities, the Company be and is hereby authorised to purchase and/or hold up to ten percent (10%) of the issued and paid-up share capital of the Company (“Proposed Share Buy-Back”) as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors of the Company may deem fit and expedient in the best interest of the Company and an amount not exceeding the retained profits and share premium reserves of the Company, be allocated by the Company for the Proposed Share Buy-Back. The retained profits and share premium reserves of the Company stood at RM 61,652 and RM 4,521,517 respectively for the financial year ended 31 December 2015.

**AND THAT** upon completion of the purchase by the Company of its own shares, the Directors of the Company be and are hereby authorised to cancel such shares or retain such shares as the Treasury Shares or a combination of both. The Directors of the Company are further authorised to resell the Treasury Shares on Bursa Securities or distribute the Treasury Shares as dividends to the shareholders of the Company or subsequently cancel the Treasury Shares or any combination of the three.

**AND FURTHER THAT** the Directors of the Company be and are hereby authorised to carry out the Proposed Share Buy-Back immediately upon the passing of this resolution until:

- (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time the authority shall lapse, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and to take all steps as are necessary and/or to do all such acts and things as the Directors of the Company deem fit and expedient in the interest of the Company to give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, amendments and/or variations as may be imposed by the relevant authorities.”



# NOTICE OF ANNUAL GENERAL MEETING

Tex Cycle Technology (M) Berhad

## ANY OTHER BUSINESS:

6. 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.

## BY ORDER OF THE BOARD TEX CYCLE TECHNOLOGY (M) BERHAD

**WONG YOUN KIM (MAICSA 7018778)**  
Company Secretary

Selangor Darul Ehsan  
19 April 2016

Notes:

### A. PROXY

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 and provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
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. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company or multiple beneficial owners in one securities account ("omnibus account"), the exempt authorised nominee may appoint any number of proxy (no limit) in respect of each omnibus account it holds.
4. 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.
5. 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 Registered Office at HMC Corporate Services Sdn. Bhd., Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

### B. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association do not require a formal approval of the said Audited Financial Statements by the shareholders. Hence, this agenda item is not subject to voting by the shareholders.

### C. EXPLANATORY NOTES ON SPECIAL BUSINESS

#### Resolution 5 – Section 132D of the Companies Act, 1965

The Resolution 5 proposed under item 5(a), if passed, will give the Directors of the Company from the date of the above Annual General Meeting, authority to allot and issue shares in the Company up to an aggregate amount of not exceeding 10% of the issued share capital of the Company for the time being for such purposes as they consider would be in the best interest of the Company and also to empower the Directors to obtain approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares issued. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.



# NOTICE OF ANNUAL GENERAL MEETING

The general mandate sought to grant authority to the Directors to allot and issue shares is a renewal of the mandate that was approved by the shareholders at the Eleventh Annual General Meeting held on 16 June 2015. The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for the purpose of funding current and/or future investment projects, working capital and/or acquisitions.

Up to the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Eleventh Annual General Meeting because there was no need for any fund raising activity for the purpose of investment, acquisition or working capital.

## **Resolutions 6 and 7 – Retention of Independent Non-Executive Director**

Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 recommends that shareholders' approval must be sought in the event that the Company intends to retain the Independent Non-Executive Director who has served in that capacity more than 9 years.

The Nominating Committee had at the annual assessment assessed the independence of Encik Razali Bin Jantan who has served more than 9 years, and was of the view that he had remained objective and independent in expressing his views and in participating in deliberations and decision making of the Board and Board Committees. His length of service on the Board does not in any way interfere with his exercise of independent judgement and ability to act in the best interests of the Company. In addition, Encik Razali Bin Jantan had confirmed and declared in writing that he is an Independent Director and that he has satisfied all the criteria of an Independent Director set out in Rule 1.01 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board has therefore recommended that the approval of the shareholders be sought to re-appoint Encik Razali Bin Jantan as Independent Non-Executive Director.

The Nominating Committee had also at the annual assessment assessed the independence of Mr. Ravindran A/L Markandu who has also served more than 9 years, and was of the view that he had remained objective and independent in expressing his views and in participating in deliberations and decision making of the Board and Board Committees. His length of service on the Board does not in any way interfere with his exercise of independent judgement and ability to act in the best interests of the Company. In addition, Mr. Ravindran A/L Markandu had confirmed and declared in writing that he is an Independent Director and that he has satisfied all the criteria of an Independent Director set out in Rule 1.01 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board has therefore recommended that the approval of the shareholders be sought to re-appoint Mr. Ravindran A/L Markandu as Independent Non-Executive Director.

## **Resolution 8 – Proposed Renewal of Shareholders' Mandate for Share Buy-Back**

Resolution 8 proposed under item 5(d), is to seek the authority for the Company to purchase and/or hold up to 10% of the issued and paid-up share capital of the Company on Bursa Malaysia Securities Berhad.

(Shareholders are requested to refer to the enclosed Share Buy-Back Statement set out on pages 113 to 120 of the Company's 2015 Annual Report for additional information).

## **GENERAL MEETING RECORD OF DEPOSITORS**

For the purpose of determining whether a member is entitled to attend this meeting, the Company shall be requesting from Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 55(3) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 4 May 2016. Only members whose names appear in the Record of Depositors as at 4 May 2016 will be entitled to attend, speak and vote at the Meeting.

## STATEMENT IN RELATION TO PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES BY THE COMPANY

Bursa Malaysia Securities Berhad (“Bursa Securities”) has not perused this Statement prior to its issuance as this is an exempt Statement. Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.

### DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Statement:

“Act”	The Companies Act, 1965 as amended from time to time and any re-enactment thereof
“AGM”	Annual General Meeting
“Articles”	Articles of Association of Tex Cycle, as amended from time to time
“Board”	The Board of Directors of Tex Cycle
“Bursa Securities”	Bursa Malaysia Securities Berhad
“Code”	Malaysian Code on Take-Over and Mergers, 2010
“Director”	Shall have the same meaning given in Section 2 (1) of the Capital Markets and Services Act, 2007 and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a Director of the Company, its subsidiary or holding company or a Chief Executive Officer of the Company, its subsidiary or holding company
“EPS”	Earnings Per Share
“Issued and Paid-Up Share Capital”	RM17,079,300.00 comprising 170,793,000 ordinary shares of RM0.10 each in Tex Cycle (including 1,832,700 bought back and retained by the Company as treasury shares)
“Listing Requirements”	ACE Market Listing Requirements of Bursa Securities
“Major Shareholder”	A person who has an interest or interests in one (1) or more voting shares in the company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:  (a) equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in the company; or  (b) equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in the company where such person is the largest shareholder of the company.

# SHARE BUY-BACK STATEMENT

Tex Cycle Technology (M) Berhad

“Major Shareholder” (cont'd)

For the purpose of this definition, “interest in shares” shall have the meaning given in Section 6A of the Act. A Major Shareholder includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a major shareholder of the Company or any other corporation which is its subsidiary or holding company

“NA”

Net Assets

“Person Connected”

In relation to a Director or a Major Shareholder, means such person who falls under any one (1) of the following categories:

- (a) a family member of the Director or Major Shareholder;
- (b) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the Director, Major Shareholder or a family member of the Director or Major Shareholder is the sole beneficiary;
- (c) a partner of the Director, Major Shareholder or a partner of a Person Connected with that Director or Major Shareholder;
- (d) a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;
- (e) a person in accordance with whose directions, instructions or wishes the Director or Major Shareholder is accustomed or is under an obligation, whether formal or informal, to act;
- (f) a body corporate or its Directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;
- (g) a body corporate or its Directors whose directions, instructions or wishes the Director or Major Shareholder is accustomed or under an obligation, whether formal or informal, to act;
- (h) a body corporate in which the Director, Major Shareholder or Persons Connected with him are entitled to exercise, or control the exercise of, not less than 15% of the votes attached to voting shares in the body corporate; or
- (i) a body corporate which is a related corporation.

“Proposed Renewal of Shareholders’ Mandate for Share Buy-Back / Proposed Share Buy-Back”

A proposal of the Company to grant its Directors a general mandate to exercise the authority to carry out a share buy-back of its own shares up to a maximum of 10% of its Issued and Paid-Up Share Capital (excluding treasury shares)

“Purchased Shares”

Shares purchased pursuant to the Proposed Share Buy-Back

“RM” or “Sen”

Ringgit Malaysia and sen respectively

“Shares”	Issued and paid-up ordinary shares of RM0.10 each in Tex Cycle
“Tex Cycle” or “the Company”	Tex Cycle Technology (M) Berhad (Company No. 642619-P)
“Tex Cycle Group”	Tex Cycle and its subsidiaries
“Treasury Shares”	The Tex Cycle Shares purchased by the Company that can be retained, distributed as dividend or resold and/or subsequently cancelled
“Statement”	The Statement in relation to proposed renewal of authority to purchase its own shares by the Company

## 1. INTRODUCTION

On 28 March 2016, the Board had announced that the Company proposes to seek the approval of the shareholders to purchase its Shares of up to ten percent (10%) of its issued and paid-up share capital at any point in time at the forthcoming AGM.

The Proposed Renewal of Shareholders’ Mandate for Share Buy-Back would become valid immediately upon the passing of the ordinary resolution and will expire at the conclusion of the next AGM of the Company unless renewed by ordinary resolution passed at that meeting or earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting or expiration of the period within which the next AGM after that date is required by law to be held, whichever occurs first.

The purpose of this Statement is to provide you with details of the Proposed Renewal of Shareholders’ Mandate for Share Buy-Back and to seek your approval for the Ordinary Resolution to be tabled at the forthcoming AGM.

## 2. RATIONALE FOR THE PROPOSED SHARE BUY-BACK AUTHORITY

The Proposed Renewal of Shareholders’ Mandate for Share Buy-Back will enable the Tex Cycle Group to utilise its surplus financial resources to purchase the Shares of the Company to stabilise the supply and demand of its Shares in the open market and thereby support its fundamental value. Should Tex Cycle Shares be cancelled, either immediately or subsequently after being held as Treasury Shares, the Proposed Renewal of Shareholders’ Mandate for Share Buy-Back is expected to improve the EPS of Tex Cycle in the Group and benefit the Shareholders of the Company.

The Purchased Shares, which are held as Treasury Shares may be realised with potential gain without affecting the total issued and paid-up capital of the Company. In the event the Treasury Shares are distributed as share dividends, it serves as a reward to the Shareholders of the Company.

The Proposed Renewal of Shareholders’ Mandate for Share Buy-Back is not expected to have any potential material disadvantage to the Company and its Shareholders, as it will be exercised only after in-depth consideration of the financial resources of the Tex Cycle Group and of the resultant impact on its Shareholders. The Directors in exercising any decision on the Proposed Renewal of Shareholders’ Mandate for Share Buy-Back will be mindful of the interest of the Company and its Shareholders.

### 3. SOURCES OF FUNDS

As at 20 March 2016, the issued and paid-up share capital of the Company stood at RM17,079,300 comprising 170,793,000 ordinary shares of RM0.10 each in Tex Cycle. As at 20 March 2016, the Company has to-date bought back a total of 1,832,700 Shares. The maximum number of Shares which may be purchased by Tex Cycle will be ten percent (10%) of the issued and paid-up share capital of Tex Cycle (or 17,079,300 Shares based on its issued and paid-up capital as at 20 March 2016). The Proposed Renewal of Shareholders' Mandate for Share Buy-Back will be effected through Tex Cycle's appointed stockbroker.

The maximum amount of funds to be allocated for the Proposed Renewal of Shareholders' Mandate for Share Buy-Back will be limited to the amount of retained earnings and share premium account of the Company. As at 31 December 2015, the audited retained earnings and share premium account of the Company are RM61,652 and RM4,521,517 respectively. The Proposed Renewal of Shareholders' Mandate for Share Buy-Back, if implemented, will be funded by internally-generated funds of the Company.

### 4. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK AUTHORITY

The Proposed Renewal of Shareholders' Mandate for Share Buy-Back, if exercised, is expected to potentially benefit Tex Cycle Group and its Shareholders as follows:

- (a) The EPS of Tex Cycle Group would be enhanced (all things being equal). This is expected to have a positive impact on the market price of Tex Cycle Shares, which will benefit Shareholders of Tex Cycle.
- (b) If the Shares are bought back as Treasury Shares, it will provide the Directors an option to sell the Purchased Shares at a higher price and therefore, make an exceptional gain for the Company. Alternatively, the Purchased Shares can be distributed as share dividend to Shareholders.

The potential disadvantages of the Proposed Renewal of Shareholders' Mandate For Share Buy-Back to the Company and its shareholders are as follows:-

- (a) As the Proposed Share Buy-Back can only be made out of retained profits and the share premium reserves, it may reduce the distributable reserves available for dividends to be declared to the shareholders of the Company in the immediate future.
- (b) It may result in the Company foregoing other investment opportunities that may emerge in the future due to the reduction in financial resources of the Tex Cycle Group after financing the Proposed Share Buy-Back.

In any event, the Directors will be mindful of the interest of the Tex Cycle Group and the Shareholders in implementing the Proposed Renewal of Shareholders' Mandate for Share Buy-Back.

### 5. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK AUTHORITY

On the assumption that the Proposed Renewal of Shareholders' Mandate for Share Buy-Back is carried out in full, the effects of the Proposed Renewal of Shareholders' Mandate for Share Buy-Back on the share capital, NA, EPS, working capital, and shareholdings of Directors and Substantial Shareholders of Tex Cycle are set out below:

## 5.1 Share Capital

Assuming the Proposed Renewal of Shareholders' Mandate for Share Buy-Back is carried out in full by the Company, the maximum number of shares that the Company can cancel is limited to 17,079,300 shares. The proforma effect on the issued and paid-up share capital of Tex Cycle of such a cancellation of shares is summarised below:

	<u>No. of Shares</u>
Issued and Paid-Up Share Capital as at 20 March 2016	170,793,000
Less: Maximum number of Shares that may be cancelled	17,079,300
Reduced Issued and Paid-Up Share Capital in the event that the Purchased Shares are cancelled	<u>153,713,700</u>

However, the Proposed Renewal of Shareholders' Mandate for Share Buy-Back will have no effect on the issued and paid-up share capital of Tex Cycle if all the Shares are to be retained as Treasury Shares, resold or distributed to the Shareholders.

## 5.2 NA and EPS

The Proposed Renewal of Shareholders' Mandate for Share Buy-Back may increase or decrease the NA per Share of Tex Cycle depending on the purchase price in comparison to the NA per Share of Tex Cycle at the time that the purchase is made. Assuming Tex Cycle Shares purchased are cancelled, the Proposed Renewal of Shareholders' Mandate for Share Buy-Back will reduce the consolidated NA per Share if the purchase price exceeds the audited consolidated NA per Share at the time of purchase and conversely would increase the consolidated NA per Share if the purchase price is less than the audited consolidated NA per Share at the time of purchase.

If the purchased Tex Cycle Shares are kept as Treasury Shares, the NA per Tex Cycle Share would decrease unless the cost per share of the Treasury Shares purchased is below the NA per Share at the relevant point in time. This is due to the requirement for Treasury Shares to be carried at cost and be offset against equity, resulting in a decrease in the NA of the Company.

The effect on the EPS of Tex Cycle Group will depend on the purchase prices of the Shares, the opportunity cost and the number of Shares purchased.

## 5.3 Working Capital

The Working Capital of Tex Cycle Group will be reduced to the extent of the amount of funds utilised for the purchases of the Shares but is not expected to have a material adverse effect on the Working Capital of Tex Cycle Group.

Similarly, the Working Capital of Tex Cycle Group will increase to the extent of the amount of funds obtained from the resale of the Shares so purchased which are retained as Treasury Shares.

## 5.4 Dividends

For the financial year ended 31 December 2015, the Company had declared an interim single-tier tax exempt dividend of 5% amounting to RM844,902 on 17 November 2015 and paid on 21 December 2015.



# SHARE BUY-BACK STATEMENT

Tex Cycle Technology (M) Berhad

The Proposed Renewal of Shareholders' Mandate for Share Buy-Back is not expected to adversely affect the Company's ability to pay dividends because the amount of dividends to be paid will be less owing to a lesser number of Shares qualifying for dividends after the Share Buy-Back regardless of whether the Shares so purchased are retained as Treasury Shares or are cancelled. However, if the Shares so purchased are retained as Treasury Shares, they can be used for subsequent payment of dividends in the form of share dividends.

## 6. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors, Substantial Shareholders and persons connected to the Directors and /or Substantial Shareholders (as defined in the Listing Requirements of Bursa Securities) have any direct or deemed interest in the Proposed Renewal of Shareholders' Mandate for Share Buy-Back and resale of Treasury Shares (if any).

The effect of the Proposed Share Buy-Back Authority on the shareholdings of the Directors and Existing Major Shareholders of Tex Cycle based on the Register of Directors' Shareholdings and Register of Substantial Shareholders as at 20 March 2016 assuming the Proposed Share Buy-Back Authority is carried out in full by Tex Cycle are as follows:

### Directors' Shareholdings

Directors	Before the Proposed Share Buy-Back				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Ho Siew Choong	8,232,903	4.87	72,594,959	*42.96	8,232,903	5.36	72,594,959	*47.23
Periasamy A/L Sinakalai	7,714,765	4.57	72,997,459	^43.20	7,714,765	5.02	72,997,459	^47.49
Ho Siew Cheong	4,284,965	2.54	72,392,959	#42.84	4,284,965	2.79	72,392,959	#47.10
Ho Siew Weng	2,239,597	1.33	72,790,459	##43.08	2,239,597	1.46	72,790,459	##47.36
Ravindran Markandu	200,000	0.12	3,000	###0.002	200,000	0.13	3,000	###0.002
Alagasan A/L Varatharajoo	20,000	0.01	-	-	20,000	0.01	-	-
Razali Bin Jantan	-	-	-	-	-	-	-	-

Notes:-

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

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



# SHARE BUY-BACK STATEMENT

Tex Cycle Technology (M) Berhad

*### Deemed interested 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 interested by virtue of Section 134(12)(c) of the Companies Act, 1965 via his spouse's direct shareholdings in Tex Cycle Technology (M) Berhad.*

## Substantial Shareholders' Shareholdings

Substantial Shareholders	Before the Proposed Share Buy-Back				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Can Cycle Sdn. Bhd.	72,392,959	42.85	-	-	72,392,959	47.10	-	-
Ho Siew Choong	8,232,903	4.87	72,594,959	*42.96	8,232,903	5.36	72,594,959	*47.23
Periasamy A/L Sinakalai	7,714,765	4.57	72,997,459	^43.20	7,714,765	5.02	72,997,459	^47.49
Ho Siew Cheong	4,284,965	2.54	72,392,959	#42.84	4,284,965	2.79	72,392,959	#47.10
Ho Siew Weng	2,239,597	1.33	72,790,459	###43.08	2,239,597	1.46	72,790,459	###47.36

Notes:-

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

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

### Deemed interested 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.

## 7. PUBLIC SHAREHOLDING SPREAD

As at 20 March 2016, the public shareholding spread of the Company based on the Issued and Paid-up Share Capital was 43.72%. Assuming the Proposed Renewal of Shareholders' Mandate for Share Buy-Back of 10% of the total issued and paid-up share capital of the Company is carried out in full, and the number of Tex Cycle Shares held by the substantial shareholders, Directors and persons connected to the substantial shareholders and/or Directors remain unchanged, the public shareholding spread of the Company would reduce to approximately 38.14%. However, the Company will ensure that it will not purchase its own Shares which will result in Tex Cycle's public shareholding spread falling below the minimum requirement of 25%.

## 8. IMPLICATION RELATING TO THE CODE IN RELATION TO THE PROPOSED SHARE BUY-BACK

Based on the Register of Substantial Shareholders as at 20 March 2016, the substantial shareholder of the Company, namely Can Cycle Sdn. Bhd. has a shareholding of 72,392,959 Tex Cycle Shares, through its direct shareholdings, representing approximately 42.85% equity interest in Tex Cycle. The Board does not anticipate any implication relating to the Code on Tex Cycle and its Shareholders in the event the Proposed Share Buy-Back Authority of up to ten percent (10%) of the issued and paid-up capital of the Company is carried out in full.

## 9. PURCHASES OF TEX CYCLE SHARES MADE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Information on the Tex Cycle Shares purchased during the financial year ended 31 December 2015 is set out on page 18 of the 2015 Annual Report of the Company.

## 10. DIRECTORS' RECOMMENDATION

The Board, having considered all aspects of the Proposed Renewal of Shareholders' Mandate for Share Buy-Back, is of the opinion that the Proposed Renewal of Shareholders' Mandate for Share Buy-Back is in the best interest of the Company. Accordingly, they recommend that you vote in favour of the Proposed Renewal of Shareholders' Mandate for Share Buy-Back at the forthcoming AGM of the Company.

## 11. DIRECTORS' STATEMENT

The Statement has been seen and approved by the Board of Directors of the Company and they collectively and individually accept full responsibility for the accuracy of the information given in the Statement and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

## 12. ACTION TO BE TAKEN BY SHAREHOLDERS

If a shareholder is unable to attend the Twelfth AGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the proxy form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of Tex Cycle at the office of HMC Corporate Services Sdn. Bhd., Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not later than 10.00 a.m. on 9 May 2016.

The resolution to consider the Proposed Share Buy-Back Mandate is outlined in the Notice of the Twelfth AGM of Tex Cycle which is enclosed in the 2015 Annual Report. The Twelfth AGM of Tex Cycle, will be held at 10.00 a.m. on Wednesday, 11 May 2016 at Kota Permai Golf and Country Club, Room Danau 3, No.1, Jalan 31/100A, Kota Kemuning, Section 31, 40460 Shah Alam, Selangor Darul Ehsan.

# FORM OF PROXY

## Twelfth 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 Twelfth Annual General Meeting of the Company to be held at Kota Permai Golf and Country Club, Room Danau  
 3, No.1, Jalan 31/100A, Kota Kemuning, Section 31, 40460 Shah Alam, Selangor Darul Ehsan on Wednesday, 11 May 2016  
 at 10.00 a.m. and at any adjournment thereof.

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

Resolutions			For	Against
<b>ORDINARY BUSINESS</b>				
1.	To approve the payment of Directors' fee for the financial year ended 31 December 2015.	<i>Resolution 1</i>		
2.	To re-elect the following Directors who are retiring under Article 80 of the Company's Articles of Association:-			
	a) Ho Siew Choong	<i>Resolution 2</i>		
	b) Ravindran A/L Markandu	<i>Resolution 3</i>		
3.	To re-appoint Messrs. Deloitte as the Company's Auditors and to authorise the Board of Directors to fix their remuneration.	<i>Resolution 4</i>		
<b>SPECIAL BUSINESS</b>				
4.	Ordinary Resolution 1 <ul style="list-style-type: none"> <li>Authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965</li> </ul>	<i>Resolution 5</i>		
5.	Ordinary Resolution 2 <ul style="list-style-type: none"> <li>Retention of Razali Bin Jantan as Independent Non-Executive Director</li> </ul>	<i>Resolution 6</i>		
6.	Ordinary Resolution 3 <ul style="list-style-type: none"> <li>Retention of Ravindran A/L Markandu as Independent Non-Executive Director</li> </ul>	<i>Resolution 7</i>		
7.	Ordinary Resolution 4 <ul style="list-style-type: none"> <li>Proposed Renewal of Shareholders' Mandate for Share Buy-Back.</li> </ul>	<i>Resolution 8</i>		

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

### Notes:-

Dated this .....day of.....2016

Number of ordinary shares held :  
 \_\_\_\_\_

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 and provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
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. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company or multiple beneficial owners in one securities account ("omnibus account"), the exempt authorised nominee may appoint any number of proxy (no limit) in respect of each omnibus account it holds.
4. 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.
5. 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 Registered Office at HMC Corporate Services Sdn. Bhd., Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
6. For the purpose of determining whether a member is entitled to attend this meeting, the Company shall be requesting from Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 55(3) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 4 May 2016. Only members whose names appear in the Record of Depositors as at 4 May 2016 will be entitled to attend, speak and vote at the Meeting.

Signature/Common Seal of Shareholder(s)  
 [\* Delete if not applicable]

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STAMP

The Company Secretary

**TEX CYCLE TECHNOLOGY (M) BERHAD (642619-P)**

Level 2, Tower 1, Avenue 5  
Bangsar South City  
59200 Kuala Lumpur  
Malaysia

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**TEX CYCLE TECHNOLOGY (M) BERHAD** (642619-P)

**8, Jalan TPK 2/3, Taman Perindustrian Kinrara,  
47100 Puchong, Selangor Darul Ehsan.**

**Tel : 603 8076 3816 / 19 / 21 / 23**

**Fax : 603 8076 3817**

***www.texcycle.com.my***