ANNUAL REPORT 2016

TEX CYCLE

Tex Cycle Technology (M) Berhad

(642619-P)

The Cover Story

Drawing its inspiration from contemporary batik designs, the cover for Texcycle's 2016's Annual Report reflects the melting pot of cultures, inspirations and racial diversity, which are the hallmark of Malaysia. Featuring all-local flora, the juxtaposition of filled to blank spaces showcase not only the achievements and integration accomplished thus far, but also represent a clear and cohesive blueprint for the future. This message serves not only has a reminder that resting on one's laurels is counterproductive, but also acts as a call to action, when considering the challenges still to come. This powerful image is evocative of Texcycle's position as both a veteran and pioneer in the Malaysian recycling industry. The blending of the color patterns represent both Texcycle's commitment to maintaining the balance of profitability and manufacturing capabilities of our clients, while simultaneously minimizing the impact to the delicate ecosystem of our planet Earth. With bold but careful strokes, this cover reminds us that the relationship between civilization and conservation need not be adversarial, but has the potential to meld seamlessly into a vivid and complete tapestry of human achievement.

CONTENTS

CORPORATE INFORMATION

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 PLT (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 : 03-78418000
Fax : 03-78418008

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
Website : www.texcycle.com.my

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

DIRECTORS' PROFILE

HO SIEW CHOONG
Executive Chairman
65 years of age, Malaysian, Male

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 in1974 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
66 years of age, Malaysian, Male

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 current Secretary for the Association of Scheduled Waste Recyclers, Malaysia (ANSWERS).

HO SIEW CHEONG
Executive Director
55 years of age, Malaysian, Male

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 inventionof 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
60 years of age, Malaysian, Male

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.

DIRECTORS' PROFILE

RAZALI BIN JANTAN
Independent Non-Executive Director
Chairman of Remuneration Committee
Member of Audit Committee and Nominating Committee
59 years of age, Malaysian, Male

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
67 years of age, Malaysian, Male

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 LKTM Berhad.

ALAGASAN VARATHARAJOO
Independent Non-Executive Director
Chairman of Nominating Committee
Member of Audit Committee and Remuneration Committee
65 years of age, Malaysian, Male

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 hold 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.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

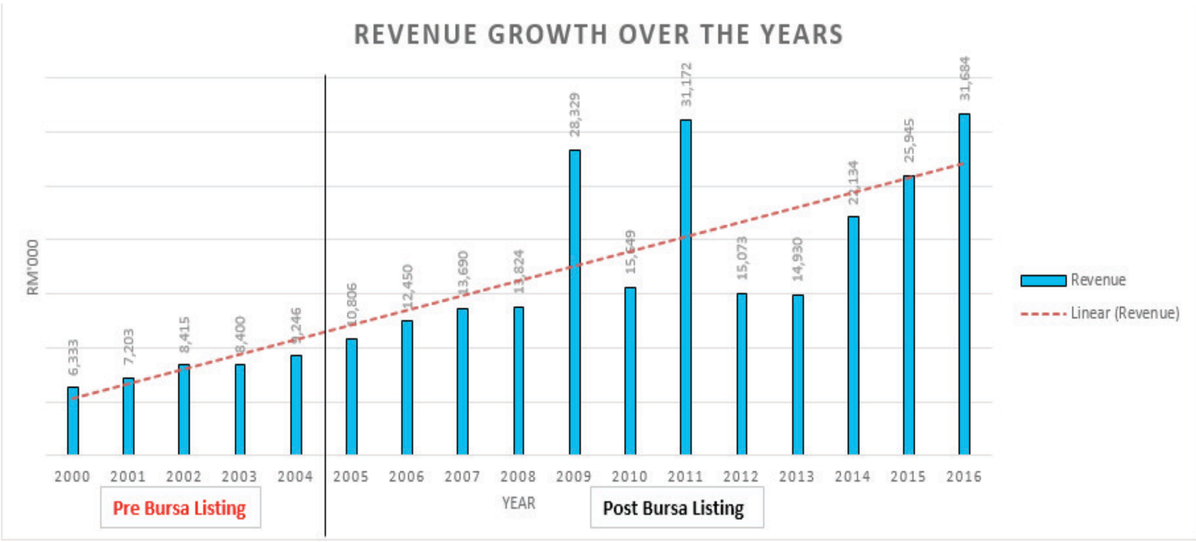
MANAGEMENT DISCUSSION AND ANALYSIS

This Statement aims to present the Executive Directors and key management's analytical overview of the Group's operations and financial performance for the Financial Year Ended 31 December 2016, in addition to other statements contained in this annual report such as the Statement on Risk Management and Internal Controls and the audited Financial Statements. Analytical disclosures made here are based on available management information, which may not be specifically audited, and are made to the extent where they do not compromise competitively sensitive information. This section may also contain opinions and forward-looking views, and as such, user's discretion is advised.

COMPANY PROGRESSION

Over the last thirty-two years, TEX CYCLE has grown significantly. Starting from humble beginnings, the Company has enlarged into a well-established Public Listed Company boasting a strong portfolio of assets, market composition and people connected by shared values as well as common goals.

The Group's core business aspiration has expanded tremendously over the years due to their on-going strive to be the preferred schedule waste recycling company in the region. As of today, TEX CYCLE is entrusted by the Malaysian Department of Environment ("DOE") to treat 31 types of scheduled waste codes within the country, compared the singular licensed scheduled waste code at its inception. To this date, TEX CYCLE has over 4,000 registered customers, with the numbers steadily increasing.



In present times, where scheduled waste management activities are the foremost consideration at a national and international level, the spot light on our activities shines brighter than ever, especially with the great support from the Malaysian Government.

Diving into more specific issues is our core motive, as we manage the impact of our activities on the environment, driven by an aspiration to transcend the trade-off between scheduled waste recycling improvements in living standards and environmental degradation. Our aim is to recycle scheduled waste by finding ways to reuse them that cause no long term damage to the planet or it's people. Basically, most of the scheduled wastes collected for treatment are naturally bio-degradable, consisting of cotton fabrics, rubber, activated carbon and wood. These wastes, when decontaminated, will be manufactured into fuel pellets which may be consumed as a renewable energy fuel source.

Over the years, we have performed large numbers of improvements or upgrades on our facilities, specifically to minimise the emissions and discharge from our own scheduled waste treatment operations. For instance, we have implemented programs that reuse recovered water and heat from our operations, which results in a broader global reduction target.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

OBJECTIVES

TEX CYCLE, being one of the major players in the country's recycling and recovery of scheduled waste industry, is committed to promoting and assisting the initiatives laid out by the Malaysian Department of Environment ("DOE"). To abide with the recent National Policy Statement on Scheduled Wastes which lays out Government policies for the control and management of hazardous waste, our business model is undergoing some development processes to cater for the national standards as follows:

• Facilitation in the development of new and upgraded infrastructure for hazardous waste required both to ensure sufficient capacity and meet expected increments of hazardous waste. TEX CYCLE embarks on continuous Research and Development projects and takes every effort to run the business profitably and responsibly by seeking up-to-date technologies and modern state-of-the-art equipment and upgrading its operations to attain more effectiveness and efficiency in all that it does.

• Promotion of more waste to be reused, recycled and recovered and amounts sent for disposal are minimized. Being in a competitive marketplace, it is essential for our professional teams to manage our customer's satisfaction proficiently and proactively. This objective is upheld through the loyal and professional approach to engage our exceptional scheduled waste management services and reliable products, while at the same time stimulating customer's mind sets to support our business model.

• Hazardous waste products pose as an inherent threat to human health and the environment, making it important that there are adequate facilities to allow the waste to be managed in ways that reduce this risk. The Group believes in sharing our resources with our stakeholder of utmost priority, namely our Employees. Hence, we pursue our mission with an unrelenting commitment to ensure that our Employees have a secure working environment and can return to their families safely because of the heavy investments made in relation to safety and health measures.

• Creating awareness about other environmental benefits, such as reducing the amount of virgin material required for manufacturing and saving more natural resources. This has been widely addressed by our years of Corporate Responsibility initiatives to preserve the future generation through various projects, collaborations, exhibitions and awareness programs that instil the importance of caring for the environment.

RISK FACTORS

Risk plays a part in all our lives. As a society or business, we need to take risks to grow and develop. From energy to infrastructure, supply chains to airport security, hospitals to housing, effectively managed risks help societies achieve. In our fast paced world, the risks we have to manage evolve quickly. We need to make sure we manage risks so that we minimise their threats and maximise their potential.

As such, with the Group's pivotal interest to identify and manage significant risk, we have designed and implemented a comprehensive Enterprise Risk Management Policy (the Policy) which forms part of the Company's internal control and corporate governance best practice which are further elaborated under the Statement on Risk Management and Internal Controls.

Some of the major risk being identified, monitored and mitigated severely by the Group on a day-to-day basis are elaborated further hereon.

FIRE

In our core recycling and recovery business, without a doubt the biggest risk which TEX CYCLE faces day-to-day is fire risk. Fires involving hazardous wastes can bring significant harm to people and the environment:

- There is the risk of death and/or serious injury and health mutilation from high thermal energy and smoke inhalation
- Combustion products, even those from non-toxic materials, release airborne pollutants which can root short and long term effects on human health and the environment
- Firewater run-off can passage pollutants into drainage systems, rivers and lakes, groundwater and soil, threatening water supplies, public health, wildlife and recreational use
- Explosions, sparks and projectiles can harm people and spread any fire
- Substantial property damage and subsequent financial losses

MANAGEMENT DISCUSSION & ANALYSIS REPORT

As part of our business strategy and planning, we have minimised this risk via a qualified safety and health department, whereby the safety officers are daily monitoring and improving the existing safety features within the factory areas, especially in the event of a fire. We also have our annual safety audits done by the Department of Occupational Safety and Health Malaysia (DOSH) and BOMBA. We have also equipped all staffs with adequate in-house awareness seminars and practical trainings with the assistance of BOMBA. Nonetheless, we do have intact a fire fighting and rescue team as means of immediate response in the event of a fire outbreak.

The Executive Directors and Key Management takes this risk as a priority and since commencement of operations are committed to investing in fire safety equipments as well as other safety aspects of the Group.

PRICE WAR

Although a company can maintain profit margins in a downturn by lowering perceived prices, the risk is high that competitors will reduce their actual prices, thereby starting a price war. Price wars or the pricing strategy tank battles, can easily turn into wars of abrasion in which everyone loses.

In a growing age of awareness onto treatment of scheduled wastes, competition will always be continuously evolving as a result of new players in the market. Intrinsically, TEX CYCLE is always on the move to monitor and restructure its logistic, marketing and production teams' effectiveness and efficiency in pursuit to achieve economies of scale to fight the price wars. Internal marketing strategies are also in place to mitigate this tough risk battle.

CHANGES IN REGULATIONS

With the ever sprouting green technology industry, legislations and regulations is deemed to kick in as protection from violation of certain rights and processes for the betterment of all stakeholders. Environmental related regulations attempt to protect public health and the environment from pollution by industry and development.

The environmental related regulators, be it locally or internationally, have sought to develop methods for collecting interpretable, quantitative information about the costs and benefits of environmental regulations in areas where compliance imposes a financial burden, awareness of the health risks of non-compliance is lower, and officials are less trusting of the data on which regulations are based.

Hence, this may affect the schedule waste management businesses in the country depending on the laws passed. Some laws could impact adversely on the existing technologies and marketing strategies, requiring significant changes to be made in eyeing for compliance with those set rulings in line with upgraded environmental quality standards.

For survival in those instances, TEX CYCLE is always in the loop with all possible updates on SIRIM, DOE and the Local Town Council Regulations, to keep abreast with latest as well as recommended changes to related legal requirements. More so, we will be able to mitigate culture shocks within the company and industry by being up-to-date and alert at all times.

MILESTONES

Tex Cycle since its existence in 1984 have been in the recycling and recovery industry with its goal to constantly support the Government's initiative in protecting the environment with the following milestones achieved:

- 2003, awarded with ISO14001:2004 (constantly achieved till to-date)
- 2004 till 2009, awarded the Prime Minister Hibiscus Award
- 2005, listed in the BURSA Malaysia ACE Market
- 2006 & 2008, awarded by the Malaysian Canadian Business Council under the Business Excellence category
- 2006 till 2014, been shortlisted several times under the ACCA MaSRA Sustainability Reporting Awards
- 2016, 31 scheduled waste codes awarded till to-date by the Malaysian Department of Environment
- 2016, awarded Feed-In-Tariff approval by the Sustainable Energy Development Authority Malaysia to commission a Renewable Electrical Energy Power Generation

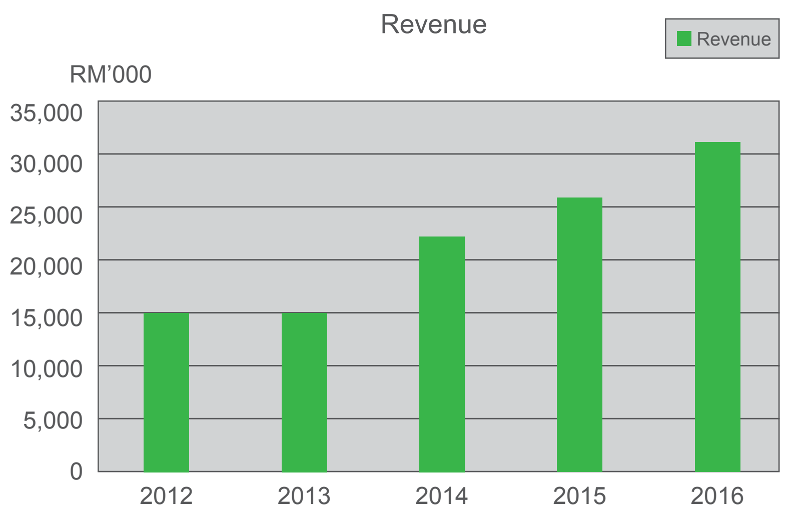
MANAGEMENT DISCUSSION & ANALYSIS REPORT

FINANCIAL OVERVIEW

FYE 31 December	2012	2013	2014	2015	2016
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	15,073	14,930	22,134	25,945	31,684
Profit before tax	9,704	9,740	5,361	8,112	16,517
Profit after tax	7,871	8,517	3,354	7,374	15,177
Net earnings per share (sen)	4.61	5.02	1.99	4.42	8.98

REVENUE

During the year of 2016, the Group's revenue increased significantly by 23%, from RM25.9 million to RM31.7 million as a result of higher sales volume from new customers in the recycling and recovery division. This is in line with the Group's initiatives to widen the existing customer base and provide greater awareness on the waste management facilities which the Recycling and Recovery Division ("RRD") of the Group possess.



Ilmproved logistics facilities

In the business world, "time is money". Hence, timely services has been a key driver in ensuring high customer satisfaction and securement of long term contracts. Thus, during the year 2016, the RRD had invested into additional transportation facilities and avenues to provide better service to customers. This also includes the recruitment of experienced logistics personnel into the RRD in order to fulfil the division's aim of improving its' current logistics planning and scheduling system. The logistics team ensures on time service or delivery as well as closely follows through the daily scheduling plans. Our prompt services have been key in growing our existing customer base and a pull factor to the many new customers that the division has seen, especially in the current financial year.

Strengthening of the marketing team

The RRD had also invested in the recruitment of more experienced marketing personnel as driving forces to boost the current sales volume. With the inclusion of these experienced hires from various backgrounds and capabilities, the RRD benefited from obtaining recurring sales volumes from many industrial companies within the country.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

In addition, the RRD had also embarked into a new sales incentive programme for the marketing personnel with its' objective to provide a sound basis by which the marketing team is motivated and rewarded for achieving and exceeding all sales goals as set by the RRD. The incentive plan covers both commissions and bonus for the marketing team against set key performance indicators ("KPI"). The KPIs are being evaluated and monitored on a monthly basis with the co-operation of the finance and marketing departments. This is part of the plan to provide room for improvement to all marketing personnel. It is a form of awareness given before the year end hits in for the sole purpose to enable all marketing personnel to keep track of their performances and rally towards the year end with higher sales volume as set by the RRD.

Among the additional work done performed by all marketing personnel in order to achieve the targeted revenues are as follows:

- Kept the RRD constantly informed as to competitive and economic conditions within the country which may affect the marketing or sales of the Company Services therein;

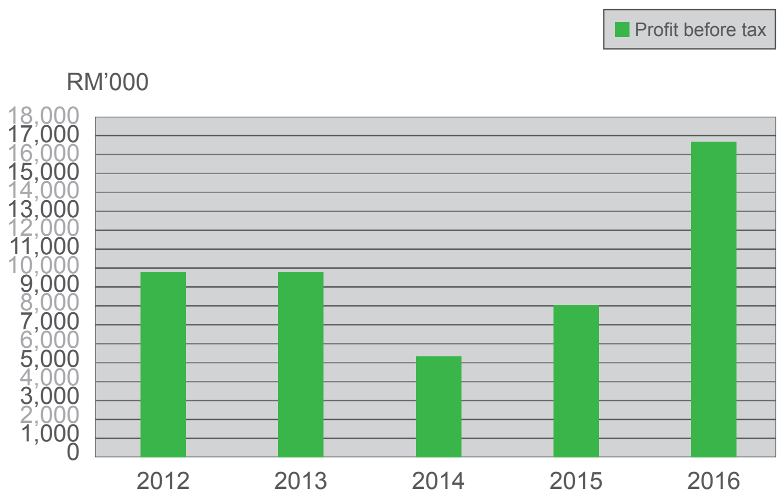
- Furnished the RRD, on a timely basis, with sales call reports, sales forecasts, and such other information pertinent to marketing team's performance;

- Assisted the RRD in obtaining relevant financial information concerning the Company clients and potential clients within the country; and

- Made use their best efforts to solicit orders for the services, promoted the sale of the services in a diligent and aggressive manner, and forwarded all orders to the Company promptly.

BOTTOM LINE IMPACT

The Group has its profit before taxation ("PBT") and profit after tax ("PAT") doubled, from RM8.1 million to RM16.5 million and from RM7.4 million to RM15.2 million respectively. This is mainly due to the increase in fair value of the Group's investment property of RM6.2million for the current year. However, excluding this one-off gain, the Group has a year-on-year growth on its' PBT and PAT of 25% and 23% respectively which is mainly derived from the RRD in line with its spike in revenue figures as well as some cost saving measures taken by the Group.



MANAGEMENT DISCUSSION & ANALYSIS REPORT

Consolidation of production

During the year 2016, the RRD was alert on the rising materials and administrative costs. With that in mind, the Executive Directors and Key Management team had decided to streamline or consolidate the majority of the RRD productions in one location, Klang. The conclusion was made after a cost-benefit analysis study and trial runs were carried out on the overheads cost savings as a result of the sharing of personnel and equipments with a common objective.

This production consolidation throughout the year, enabled a more coherent monitoring and tracking of the production processes. The production team was able to have a proper communication within the production divisions, marketing and logistics department.

These three departments had also innovated a networking tool or avenue, with its' pivotal intention to share issues and solutions to them whereby every department is agreeable as well as kept in the loop. This live networking tool has helped tremendously in saving time of personnel from attending separate meetings during operation hours.

In the long run, economies of scale had been achieved as a result of this synchronisation work.

Investment in state-of-the-art equipments

There had also been significant upgrades and perusal of newly acquired machineries for the RRD. These investments come from various suppliers within the country as well as international level.

The machineries basically had been engineered upon taking into account of all feedbacks and recommendations from international and local suppliers. This has helped in ensuring wastage of resources and time are minimised by a significant portion since the machineries are embedded with high capabilities and standards to perform multiple production task. These equipments are crucial to the RRD to survive plus overcome the price war faced with upcoming competitors in the recycling and recovery industry. Not only it is cost saving but also can be categorised as green technologies especially with the Group's mission to support the Malaysian Government's initiative of promoting a greener environment in the country.

SUMMARY OF FINANCIAL RESULTS

Outlined below are key financial ratios of the Group for the current financial year and the preceding financing year for comparison – which recorded significant improvement in all the key measures on profitability, liquidity, gearing, and valuation.

Group Ratios	FYE 2016	FYE 2015
Profitability		
Operational Return on Asset (EBIT/Average Assets)	19.36%	10.81%
Return on Equity (Net Earnings/Equity)	17.89%	10.44%
Gearing		
Debt to Equity Ratio	0.09 : 1	0.11 : 1
Valuation		
Net Asset per share (RM/share)	0.50	0.42
Enterprise value/Total comprehensive Income	12 times	27 times

MANAGEMENT DISCUSSION & ANALYSIS REPORT

FYE 31 December	2012	2013	2014	2015	2016
	RM'000	RM'000	RM'000	RM'000	RM'000
Current assets	26,940	22,434	17,304	20,931	26,844
Current liabilities	2,495	2,646	3,297	2,598	2,693
Shareholders' equity	55,266	62,456	64,631	70,648	84,856
Net asset per share (sen)	32.36	36.57	38.13	41.80	50.25

OUTLOOK

In this current challenging times, where the economic situation is still uncertain, many factors could take charge in deciding the fate of all future business growth, for instance inflation. The global economy is one of the biggest external factors that will, at some time, potentially affect every business either bearishly or bullishly. Market fluctuations based on politics, wars and currency devaluation eventually trickle down to most commercial organisations.

DYNAMIC STRATEGIES

In view of this situations, the Group has set and in the run to implement innovative strategies to survive any of such catastrophes. Among them is to adopt the blue ocean strategy which is based on the simultaneous pursuit of differentiation and low cost. It is an "and-and," not an "either-or" strategy. Conventional wisdom holds that companies can either create greater value for customers at a higher cost or create reasonable value at a lower cost. Here strategy is seen as making a choice between differentiation and low cost. In contrast, by applying this blue ocean strategy, TEX CYCLE seeks to break the value-cost trade-off by eliminating and reducing factors an industry competes on and raising and creating factors the industry has never offered. This is what we call value innovation.

Value innovation is distinctively diverse from the competitive strategic approach that takes an industry structure as given and seeks to build a defensible position within the existing industry order. The strategic logic of value innovation guides companies to identify what buyers commonly value across the conventional boundaries of competition and reconstruct key factors across market boundaries, thereby achieving both differentiation and low cost and creating a leap in value for both buyers and the company.

Nevertheless, on hindsight, the Group does realise as well that a dynamic approach is always necessary in any organisation especially referring back to our history and shall bear in mind the existing business and technologies in place that brought the company this far. A red ocean strategy is therefore brought into the equation to balance out the potential risk from a blue ocean strategy, vice versa. Reason being, there is already a well-established market for TEX CYCLE with loyal and profound networking with the current customer base. To just disregard them may seem not a viable solution for substantial competitions and negative market outlook.

Summarising it all in a nutshell, the dynamic approach of a red and blue strategy was adopted and one of Group's major innovation in conjunction with strengthening the current operations system, Tex Cycle (P2) Sdn Bhd, a subsidiary of the Group, has embarked into a Renewable Electrical Energy Power Generation Project ("REEP") of generating electricity from decontaminated biomass to the Tenaga Nasional Berhad grid surrounding the Telok Gong, Klang vicinity which is in short supply due to the area's fast growing expansions.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

The Company had obtained approval from Sustainable Energy Development Authority Malaysia (SEDA) to build and operate a REEP with a capacity to supply 2 MW per hour of electricity to Tenaga Nasional Berhad. The approval granted is for a period of 16 years, commencing no later than 28th January 2018. With the implementation of the power generating project, it is expected to contribute positively to the Group's results from 2018.

This project will be highly in support of the Government's target and initiative to reduce the intensity of greenhouse gas emissions (GHGs) to 40% of GDP in 2020 and is also coherent with the Company's believe in the "Cradle-to-Cradle" concept, with its pivotal intention to reduce disposal of scheduled waste to secured landfill which leaves behind substantial effects to the global environment.

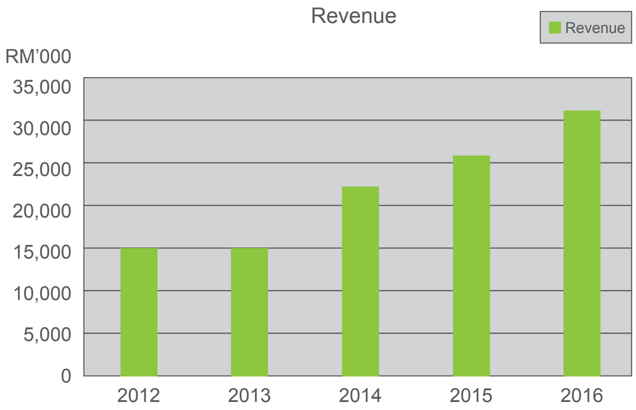
There are other mind boggling projects which are in the midst of R & D and will be made known in due course upon successful outcomes.

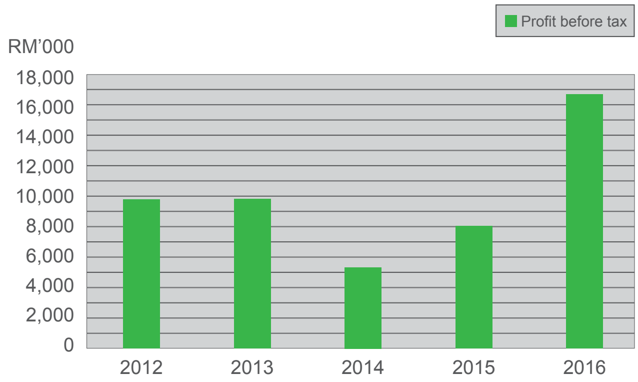
APPRECIATION

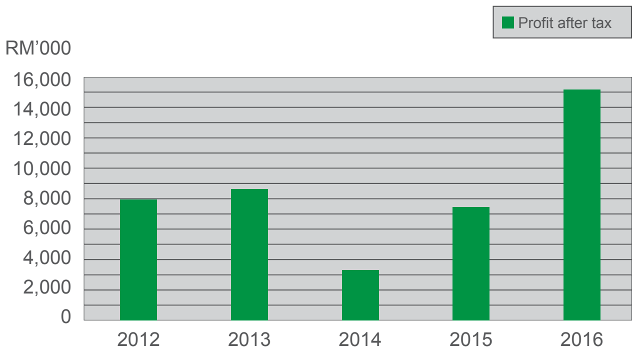
We, the Executive Directors and Key Management Team, would hereby like to convey our heartfelt appreciation to the Independent Directors, Management and Staff for their contribution and dedication during the financial year under review. Our humblest appreciation also goes out to our Customers and Partners in business for their commitment and trust all this years and hopefully for the many more years to come forth, plus last but not least our Shareholders for their continuous support towards the evolution in addition to development of TEX CYCLE's business.

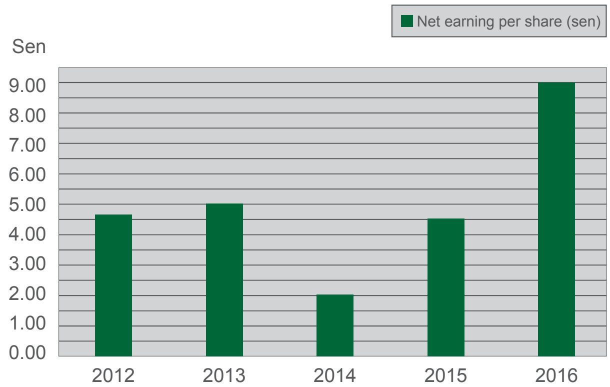
FINANCIAL HIGHLIGHTS - 2016

FYE 31 December	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Revenue	15,073	14,930	22,134	25,945	31,684
Profit before tax	9,704	9,740	5,361	8,112	16,517
Profit after tax	7,871	8,517	3,354	7,374	15,177
Net earnings per share (sen)	4.61	5.02	1.99	4.42	8.98



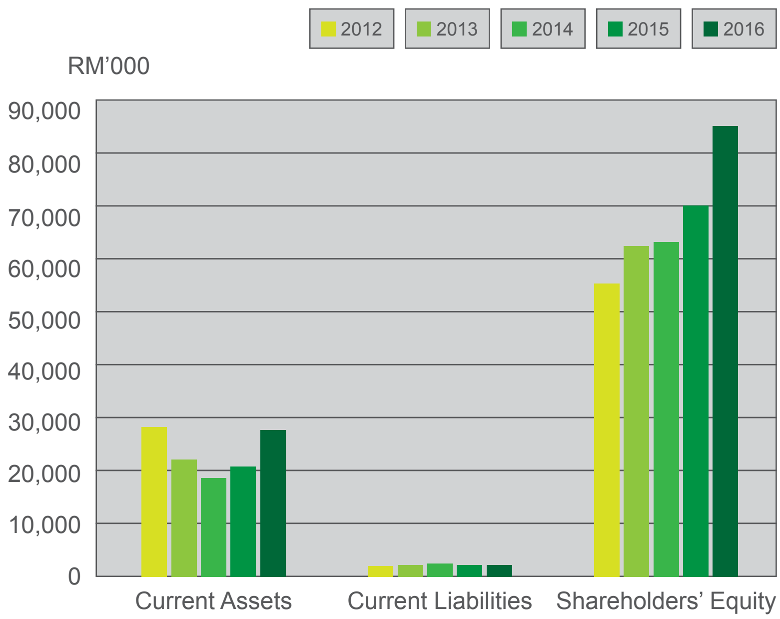


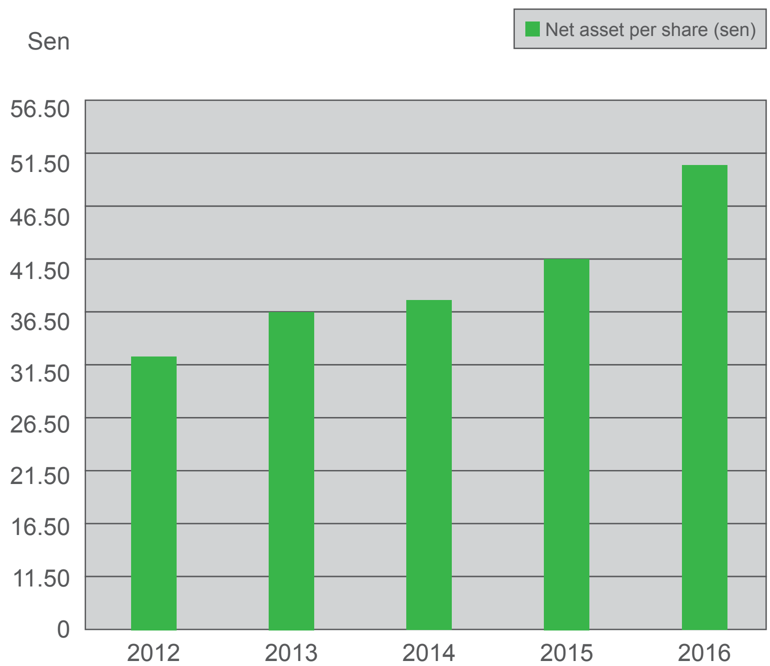




FINANCIAL HIGHLIGHTS - 2016

FYE 31 December	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Current assets	26,940	22,434	17,304	20,931	26,844
Current liabilities	2,495	2,646	3,297	2,598	2,693
Shareholders' equity	55,266	62,456	64,631	70,648	84,856
Net asset per share (sen)	32.36	36.57	38.13	41.80	50.25





AUDIT COMMITTEE REPORT

The Board of Directors of the Group is pleased to present the Audit Committee Report for the financial year ended ("FYE") 31 December 2016.

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 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 the 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 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.

AUDIT COMMITTEE REPORT

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

Committee Members	Meeting Attendance
Ravindran Markandu	5/5
Razali Bin Jantan	5/5
Alagasan 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 Group has appointed an established external professional Internal Audit firm, which reports to the Audit Committee and assists the Audit Committee in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives.

Internal audit provides independent assessment on the effectiveness and efficiency of internal controls utilizing a global audit methodology and tool to support the corporate governance framework and an efficient and effective risk management framework to provide assurance to the Audit Committee.

The Audit Committee approves the internal audit plan during the first Audit Committee meeting each year. Any subsequent changes to the internal audit plan are approved by the Audit Committee. The scope of internal audit covers the audits of all units and operations, including subsidiaries as stated in the letter of engagement.

The cost incurred for the Internal Audit function during the financial year is approximately RM15,000.00

During the financial year, the following activities were carried out by the internal auditors in discharge of its responsibilities:

i) Review the system of internal controls of the various business operating units;
ii) Recommend improvements to the existing systems of internal controls;
iii) Follow up on implementation and disposition of audit findings and recommendation;
iv) Identify opportunities to improve the operations of and processes in the Company and the Group; and
v) Identification of risks and implementation of recommendations to mitigate the risks.

The board agrees that the internal audit review was done in accordance with the audit plan and the coverage is adequate.

Metric	Achievement
Percentage of Audit Plan Complete	100%
Number of audit report issued	2
Additional Areas covered as instructed by Audit Committee	Nil
Critical Audit Findings	5
Recommendations accepted and implemented	5

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The main activities undertaken by the Audit Committee during the FYE 31 December 2016 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 Group's 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 2016;

c) Reviewed and discussed with the external auditors of their audit findings inclusive of systems 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.

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 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's 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.

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 of the Board towards the Malaysian Code of Corporate Governance ("MCCG") and describes how the Group has applied the principles laid down in the MCCG and the Group has complied with the Best Practices of the MCCG throughout the financial year.

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

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 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 caliber 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 judgment 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.

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, Mr. Periasamy Sinakalai 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.

STATEMENT ON CORPORATE GOVERNANCE

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.

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 endeavor to consider suitable and qualified female candidates for appointment to the Board.

Duties and Responsibilities

The Board is responsible for the oversight and overall management of the Company and has developed corporate objectives and position descriptions including the limits to management's responsibilities, which the management are aware and are responsible for meeting.

The Board has a formal schedule of matters reserved to itself for decision, which includes the overall Group strategy and direction, investment policy, major capital expenditures, consideration of significant financial matters and review of the financial and operating performance of the Group.

The Board understands the principal risks of all aspects of the business that the Group is engaged in recognising that business decisions require the incurrence of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are in place systems that effectively monitor and manage these risks with a view to the long term viability of the Group.

The principal roles and responsibilities assumed by the Board 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 caliber of the Independent Non-Executive Directors bring independent judgment 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.

STATEMENT ON CORPORATE GOVERNANCE

The Independent Non-Executive Directors of the Company play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision making process. The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. Although all the Directors have equal responsibility for the Company and the Group's operations, the role of the Independent Directors are particularly important in ensuring that the strategies proposed by the Executive Directors are deliberated on and have taken into account the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community

The Board had appropriately delegated specific tasks to three (3) Board Committees; namely Audit Committee, Nominating Committee and Remuneration Committee. All the Board Committees have its own terms of reference and has the authority to act on behalf of the Board within the authority as lay out in the terms of reference and to report to the board with the necessary recommendation.

Whistle Blowing Policy

Following the introduction of the Whistleblower Protection Act, 2010, the Board has formalized its whistle-blowing policy to report on illegal or unethical practices. By extending protection to concerned parties who wish to report violations of established corporate guidelines, this allows the preservation of integrity and honesty. The Whistle Blowing Policy has been uploaded to the Company's website at www.texcycle.com.my.

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 Company Secretary of the Board shall be prerogative of the Board as a whole.

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. The implementation of a formalized framework ensures that prospective candidates can be identified and groomed for implementation into the existing matrix of skill sets. These allow rapid implementation for any mission critical or operational position in the event of duty shortfalls.

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.

Corporate Responsibility ("CR")

The Group is mindful of the need to be corporately responsible and recognises 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 endeavors to broaden its scope of CR initiatives over time and will plan accordingly.

The year 2016 saw us undertaking several impactful CR activities. Our efforts are presented on pages 41 to 44 of this Annual Report.

PRINCIPLE 2 STRENGTHEN COMPOSITION

Nominating Committee

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.

The term of reference, duties, responsibilities and activities of the Nominating Committee are presented in the Nominating Committee Report on page 30 to 32 of this Annual Report.

Re-election of Directors

In accordance with the Company's Articles of Association of the Company 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. Any Director appointed during the year is required to retire and seek re-election by shareholders at the next Annual General Meeting. 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.

In February 2017, the Nominating Committee had review the performance, skills, experience and contribution of the directors who are scheduled for retirement by rotation. The Nominating Committee had based on their reviews, recommended those directors to the Board to stand for re-election. The Board had approved the recommendation of the Nominating Committee for En. Razali Bin Jantan and Mr. Ho Siew Cheong to be eligible to stand for re-election. These two directors had expressed their intention to seek re-election at the 13th AGM.

Remuneration Committee

In line with the Best Practices of the MCCG, the Board has set up a Remuneration Committee which comprise majority of Independent Non-Executive Directors in order to assist the Board for determining the Director's remuneration.

The Remuneration Committee is authorised by the Board to establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. The remuneration of Directors shall be the ultimate responsibility of the full Board after considering the recommendations of the Remuneration Committee

The Remuneration Committee shall meet at least once a year and at such time, the Chairman of the Committee may request for a meeting as and when deemed necessary. The quorum of the Remuneration Committee meeting shall be two (2) members and comprised a majority of independent directors.

The remunerations of the Executive Directors were determined fairly based on the performance and the profitability of the Group as a whole. The Directors' remuneration is at the discretion of the Board, taking into account the comparative market rates that commensurate with the level of contribution, experience and participation of each Director. The overriding principle adopted in setting the remuneration packages for the Executive Directors by the Remuneration Committee is to ensure that the Company attracts and retains the appropriate Directors of the caliber needed to run the Group successfully.

The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees are to be approved by shareholders at the Annual General Meeting based on recommendations of the Board

STATEMENT ON CORPORATE GOVERNANCE

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

i. **Razali Bin Jantan**
Chairman, Independent Non-Executive Director

ii. **Ravi Markandu**
Senior Independent Non-Executive Director

iii. **Alagasan Varatharajoo**
Independent Non-Executive Director

iv. **Periasamy Sinakalai**
Managing Director

The remuneration package of Executive Directors during the financial year ended 31 December 2016 comprises a combination of basic salary (inclusive of statutory employer contributions to the Employees Provident Fund), and benefits-in-kind, if any.

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

Group Level

Category	Fees (RM)	Salaries and Allowances, inclusive of EPF contributions (RM)	Bonus (RM)	Benefits-in-kind (RM)	Total (RM)
Executive Directors	79,300	1,823,100	264,000	-	2,166,400
Non-Executive Directors	98,100	27,300	-	-	125,400
Total	**177,400**	**1,850,400**	**264,000**	**-**	**2,291,800**

Subsidiary Level

Category	Fees (RM)	Salaries and Allowances, inclusive of EPF contributions (RM)	Bonus (RM)	Benefits-in-kind (RM)	Total (RM)
Executive Directors	-	1,823,100	264,000	-	2,087,100

Remuneration Bands

Range of Remuneration	Executive Directors	Non-Executive Directors	Total
RM1-RM50,000	-	3	3
RM400,001-RM450,000	1	-	1
RM450,001-RM500,000	1	-	1
RM600,001-RM650,000	2	-	2
Total	**4**	**3**	**7**

Details of the individual Director's remuneration are not disclosed in this report as the Board is of the view that the above remuneration disclosure by band and analysis between Executive and Non-Executive Directors satisfies the accountability and transparency aspects of the MCCG.

Principle 3: Reinforce Independence

The Non-Executive Directors are not employees of the Group and do not participate in the day to day management of the Group. Majority of Non-Executive Directors, are independent directors and are able to express their views without any constraint. This strengthens the Board which benefits from the independent views expressed before any decisions are taken. The Nomination Committee has reviewed the performance of the independent directors and is satisfied they have been able to discharge their responsibilities in an independent manner.

As recommended by the MCCG, the tenure of an independent director should not exceed 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. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at a general meeting, normally the annual general meeting of the Company.

Save and except for the following directors, none of the Independent Non-Executive Directors has reached nine (9) years of service since their appointment and/or election as Directors as at the date of this Statement:

i) Ravi Markandu

ii) Razali Bin Jantan

Following an assessment and recommendation by the Nomination Committee, the Independent Non-Executive Directors listed above have been recommended by the Board to continue to act as Independent Non-Executive Director, subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company. The key justifications for their continuance as Independent Non-Executive Directors are as follows:

- they fulfils the criteria under the definition of Independent Director as stated in the Listing Requirements of Bursa Securities and, therefore, is able to bring independent and objective judgment to the Board as a whole;
- their experience in the relevant industries has enabled them to provide the Board and Board Committees, as the case may be, with pertinent expertise, skills and competence;
- they have been with the Company long and therefore understands the Company's business operations which enables him to contribute actively and effectively during deliberations or discussions at Board and Committee meetings; and
- they continue to be scrupulously independent in their thinking and in their effectiveness as constructive challengers of the Chief Executive Officer / Managing Director and Executive Directors.

Additionally, each of the Independent Non-Executive Directors has provided an annual confirmation of their independence to the Nomination Committee and the Board.

SHAREHOLDERS AND INVESTORS

a) Corporate Disclosure Policies and Procedures

The Company recognises the value of transparent and effective communications with the investment community and aims to build long-term relationships with its shareholders and investors through appropriate channels for disclosure of information.

The Company mainly communicates with its shareholders, stakeholders and the public through press releases, press conferences, timely announcements and disclosures made to Bursa Securities.

Information disseminated is clear, relevant and comprehensive, provided on a timely basis and is readily accessible by all stakeholders. The Company endeavours to provide investors with sufficient business, operational and financial information on the Group to enable them to make informed investment decisions.

The Annual Report, which is also a key communication channel between the Company and its shareholders and investors, is published within four (4) months after the financial year-end. The Management Discussion and Analysis Report provide an insightful interpretation of the Group's performance, operations, prospects and other matters affecting the Company's business and/or shareholders' interests.

b) Leverage on Information Technology for Effective Dissemination of Information

The Company's website at www.texcycle.com.my incorporates an Investor Relations section which provides all relevant information on the Company accessible to the public. This section enhances the Investor Relations function by including all announcements made by the Company and its annual reports.

The quarterly financial results are announced via Bursa LINK after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

Shareholders and investors may also forward their queries to the Company via email to info@texcycle.com.my.

e) Effective Communication and Proactive Engagement

In maintaining its commitment to effective communication with shareholders, the Group adopts the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as the general investing public.

The practice of disclosure of information is not established just to comply with the Listing Requirements of Bursa Securities, but also to adopt the best practices recommended in the MCCG with regard to strengthening engagement and communication with shareholders.

Where possible, the Group also provides additional disclosures of information on a voluntary basis. The Group believes that consistently maintaining a high level of disclosure and extensive communication is vital to shareholders and investors in making informed investment decisions.

Principle 4: Time Commitment

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:

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

The Board is satisfied with the level of time commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out herein above.

STATEMENT ON CORPORATE GOVERNANCE

All the Directors are required to devote sufficient time and efforts to carry out their responsibilities. Each Director is expected to commit time as and when required to discharge the relevant duties and responsibilities, besides attending meetings of the Board and Board Committees.

Notwithstanding that no specific quantum of time has been fixed, all the Board members are required to notify the Board before accepting any new directorship. Any Director is, while holding office, at liberty to accept other Board appointment in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) public listed companies (as prescribed in Paragraph 15.06 of Listing Requirements).

Each Board member is expected to achieve at least fifty percent (50%) attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Chairman and/or Company Secretaries, where applicable.

Supply of Information

Each Board Member receives regular reports, including a comprehensive review and analysis of the Group's performance. 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. At least seven (7) days prior to the Board meetings, the directors are sent an agenda and a full set of Board papers for each agenda item to be discussed at the meeting. This is issued in sufficient time to enable the directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings. Minutes of the Board meetings are maintained by the Company Secretaries.

Guidelines are in place concerning the content presentation and delivery of papers to the Board for each Board meeting so that the directors have access to all information within the Company, whether as full board or in their individual capacity, in furtherance of their duties.External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. Senior management team from different business units are also invited to participate at the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team.

To fulfill the responsibilities as set out above, all Directors have unrestricted access to the advice and the services 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. When necessary, the Directors may whether as a full Board or in their individual capacity, seek independent professional advice in furtherance of their duties as and when appropriate at the Company's expenses. The Directors may consult the Chairman or other Board members prior to seeking any independent professional advice.

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.

Directors' Training and Education

All Directors appointed to the Board have attended the Mandatory Accreditation Program prescribed by Bursa Securities.

Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, to keep abreast of industry developments and trends, the Directors are encouraged to attend various external professional programmes deemed necessary to ensure that they are kept abreast on various issues facing the changing business environment within which the Group operates, in order to fulfil their duties as Directors. Any Director appointed to the Board is required to complete the MAP within four (4) months from the date of appointment.

STATEMENT ON CORPORATE GOVERNANCE

During the financial year ended 31 December 2016, the Directors have attended several relevant courses as below:

Directors	Seminar / Conference / Workshop
Ho Siew Choong	"Gaining Clarity Through Today's Condusion" OCBC Premier Insight Series
	"Investing in Turbulent Times" by OCBC Bank
	Advocacy Sessions on Management Discussion & Analysis for Chief Executive Officers and Chief Financial Officers
Periasamy A/L Sinakalai	SEM2016 Sustainability and Environmental Management Conference & Exhibition by ENSEARCH
Ho Siew Weng	"Outlook & Opportunities" Investment Forum 2016 by AffinHwang
	"Investing in Turbulent Times" by OCBC Bank
Ho Siew Cheong	"Outlook & Opportunities" Investment Forum 2016 by AffinHwang
	"SEM2016 Sustainability and Environmental Management Conference & Exhibition by ENSEARCH
Ravi Markandu	New Auditors Reporting: Why it matters to you by Deloitte
	International Thought Leadership Series by Malaysia Institute of Accountants
	Breakfast Roundtable – The Importance of Sustainability Reporting by Audit Committee Institute Malaysia
	Malaysia Future – Impact of Technology Disruption on Infrastructure Needs by Chartered Accountants Australia & New Zealand
	The Global Goals for Sustainable Development by ICAEW
	Case Study Workshop For Independent Directors by Bursa Malaysia
	Economic Insight Q4 by ICAEW
	Anti-corruption & Integrity – Foundation of Corporate Sustainability by Bursa Malaysia
Razali Bin Jantan	My GAP Malaysia, Malaysian Good Agricultural Practices by Agriculture Ministry
Alagasan Varatharajoo	Case Study Workshop For Independent Directors by Bursa Malaysia

The Board will on continuing basis evaluate and determine the training needs of each Director, particularly on relevant new law and regulations and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties.

In addition to the above, Directors would be updated on recent developments in the areas of statutory and regulatory requirements from the briefing by the External Auditors, the Internal Auditors and Company Secretaries during the Committee and/or Board Meetings.

Principle 5: Uphold Integrity in Financial Reporting

Financial Reporting

The Directors are responsible to ensure that financial statements prepared are drawn up in accordance with the provision 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 2016 can be found on pages 54 to 119 of this Annual Report.

Relationship with the Auditors

The Company has established a transparent arrangement with the auditors to meet their professional requirements. From time to time, the auditors highlight to the Audit Committee and Board of Directors on matters that require the Board's attention. The Audit Committee also meets the external auditors without the presence of the Executive Directors and the management at least twice a year on any matters relating to the Group and its audit activities.

In assessing the independence of external auditors, the Audit Committee reviewed and considered a written assurance from the external auditors, confirming that they are, and have been, independent throughout the conduct of their audit engagement with the Company in accordance with the independence criteria of International Standards on Auditing and By-Laws issued by the Malaysian Institute of Accountants.

Annual appointment or re-appointment of the external auditor is via shareholders' resolution at the AGM on the recommendation of the Board. The External Auditors are being invited to attend the AGM of the Company to response and reply to the Shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statement.

The Audit Committee is satisfied with the competence and independence of the External Auditors for the financial year under review.

Principle 6: Recognize and Manage Risk

Risk Management and Internal Control

The Board is fully aware of its overall responsibility of continually maintaining a sound system of internal control, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to identify the risks to which the Group is exposed and mitigate the impacts thereof to meet the particular needs of the Group.

As an effort to enhance the system of internal control, the Board together with the assistance of external professional Internal Audit firm will undertake to review the existing risk management process in place within the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the Audit Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.

As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given on the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks.

Information on the Group's risk management and internal control is presented in the Statement on Risk Management and Internal Control on pages 33 to 35 of this Annual Report.

Principle 7: Ensure Timely and High Quality Disclosure

Dialogue with Shareholders

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/means:

- 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; and
- The Group's website at www.texcycle.com.my.

STATEMENT ON CORPORATE GOVERNANCE

During general meetings, the Chairman or the Managing Director of the Company will brief shareholders on the Company's projects and elaborate further on proposals for which the approval of shareholders is being sought.

Whilst the Company endeavours to provide as much information as possible to its shareholders, it is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

Principle 8: Strengthen Relationship between Company and Shareholders

Annual General Meeting ("AGM")

The Annual General Meeting ("AGM") is an important forum where communications with shareholders are effectively conducted. Shareholders will be notified of the meeting together with a copy of the Company's Annual Report at least twenty one (21) days before the meeting. The Board will ensure that each item of special business included in the notices of the AGM or extraordinary general meeting is accompanied by a full explanation of the effects of any proposed resolution.

The Chairman and the Board members are prepared to respond to all queries and undertake to provide sufficient clarification on issues and concerns raised by the shareholders. The external auditors are also present to provide their professional and independent clarification, if required, on issues highlighted by the shareholders. Status of all resolutions proposed at the AGM is submitted to Bursa Securities at the end of the meeting day.

Apart from contacts at general meetings, currently there is no other formal program or schedule of meetings with investors, shareholders, stakeholders and the public generally. However, the management has the option of calling for meetings with investors/analysts if it deems necessary. Thus far, the management is of the opinion that the existing arrangement has been satisfactory.

Poll Voting

Under Recommendation 8.2 of the MCCG 2012 and Paragraph 8.29A(1) of the Listing Requirements, a PLC must, among others, ensure that any resolution set out in the notice of any general meeting, is voted by poll. For this purpose, the share registrar will be appointed as the poll administrator and an independent scrutineer will be appointed to validate the votes cast at the 13th Annual General Meeting.

COMPLIANCE STATEMENT

Saved as disclosed above, the Board is of the view that the Group has complied with all the principles and recommendations of the corporate governance set out in MCCG and shall remain committed to attain the highest possible standards through the continuous adoption of the principles and best practices of the MCCG and all other applicable laws, where applicable.

This Statement was approved by the Board on 22 March 2017.

NOMINATED 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, 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 the 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 a nominee for appointment as 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 members. 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.

NOMINATED COMMITTEE REPORT

Questions arising at any meeting of the 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 two (2) members form a quorum. The Chairman of the meeting at which only such a quorum is present, or at which only two (2) members are competent to vote on the question at issue, shall not have a casting vote.

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 Managing Director/ Chief Executive Officer ("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's 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 processes 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;

NOMINATED COMMITTEE REPORT

- To arrange induction programmes for newly appointed directors to familiarize themselves with the operations of the Group;
- To recommend to the Board the engagement of 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.

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 the 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 effectively.
- 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, Mr. Ravi Markandu and En. Razali Bin Jantan, who have served on the Board for a cumulative period of more than 9 years.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL(SORMIC) 2016

Introduction

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Paragraph 15.26(b) of the Listing Requirements requires Directors of listed companies to include a statement in their Annual Reports on the state of their internal controls. Set out below is the Board's Risk Management and Internal Control Statement.

Board Responsibility

The Board committed to ensure the existence of an appropriate risk management framework and sound, efficient and effective system of internal control to safeguard shareholders' investment and the Group's assets. The system is designed to provide reasonable assurance of effective operations and compliance with laws and regulations. The Board ensures the effectiveness of the system through periodic reviews. As there are limitations that are inherent in any system of internal control, this system is designed to manage rather than eliminate risks that may impede the achievement of the Group's business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers, inter alia, financial, operational and compliance controls and risk management procedures.

Control Environment

The Group has an organisation structure that is aligned to business requirements. The internal control mechanism is embedded in the various work processes at appropriate levels in the Company. The Board is accountable for ensuring the existence and effectiveness of internal control and provides leadership and direction to senior management on the manner the Company controls its businesses, the state of internal control and its activities. In developing the internal control systems, consideration is given to the overall control environment of the Company, assessment of financial and operational risks and an effective monitoring mechanism.

Internal Audit

Internal audit reviews are carried out by the internal audit team to address the related internal control weaknesses. Any significant weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls were reported accordingly. Internal audit also test the effectiveness of the internal control on the basis of an internal audit strategy and detailed annual internal audit plan presented to the Audit Committee ("AC") for approval. An external professional internal audit firm is engaged to assist the AC to establish its Internal Audit function in discharging its duties in regards to the adequacy and integrity of the system of internal control.

The main elements in the system of internal control framework included:

- An organisational structure in the Group with formally defined lines of responsibility and delegation of authority;
- Documentation of written policies and procedures for certain key operational areas;
- Quarterly review of financial results by the Board and the AC;
- Active participation and involvement by the Managing Director ("MD") and the Executive Directors in the day-to-day running of the major businesses and regular discussions with the Senior Management of smaller business units on operational issues;
- Review of internal audit reports and findings by the AC; and
- Monthly review of Group management accounts by MD, Executive Directors and Management.

The Internal Audit ("IA") also periodically reports on the activities performed, key strategic and control issues observed by Internal Audit to the AC in order to preserve its independence. The AC 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, 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 Committee of Sponsoring Organizations of the Treadway Commission (COSO – USA Standard) and The Criteria of Control Board (COCO - Canadian Standard)'s Internal Controls – Integrated Framework. Using this framework, all internal control assessments performed by IA are based on the internal control elements, 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 or priority areas. Input from various sources inclusive of the Enterprise Risk Management 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 & INTERNAL CONTROL(SORMIC) 2016

In 2016, reviews in various areas involving Manufacturing Operations, Information Technology, Finance, Procurement Human Resources, Research & Development and Subsidiaries were conducted. There were 3 reports issued, internal audit , Risk Management profiling, Corporate Governance reports were issued. Among the key coverage included:

- Governance
- Operations – Manufacturing
- Sales and marketing
- IT security management
- Procurement management
- Accounting and financial activities
- Trading Management
- Human Resources management
- Warehouse Management
- Safety Management

All reports from the internal audit reviews carried out were submitted and presented to the AC 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 AC. IA committed to equip the internal auditors with sufficient knowledge, skills and competencies to discharge their duties and responsibilities.

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 assessment. It has its own peer reviewer mechanism to ensure consistently good quality output of every audit engagement. The team leader is well experience 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 AC, external and internal auditors, and other experts at the expense of the Company.

Risk Management

The Board has an established ongoing process for identifying, evaluating and managing the significant risks encountered by the Company in accordance to the Guidance for Directors of Public Listed Companies on Statement on Risk Management and Internal Control. Risk management is an integral part of the business operations and this process goes through a review process by the Board. Discussions have been conducted during the year involving different levels of managements to identify and address risks faced by the Group. These risks were summarized and included in the Group's risk management report. The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year under review and up to the date of approval of this statement for inclusion in the annual report by the Management. This is to ensure that all high risks are adequately addressed at various levels within the Group.

The Board regards risk management as an integral part of the Group's business operations and has oversight over this critical area through the AC. The AC, supported by the Internal Auditor, provides an independent assessment of the effectiveness of the Group's Enterprise Risk Management ("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 to are strategic, operational, regulatory, financial, market, technological, products and reputational risks.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL(SORMIC) 2016

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

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 pro-active 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 Executive Director and Head of Finance (HOF) who works closely with the Group's operational managers are continuously to 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 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, harmonise 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 at 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 Head of Department (HOD) / Risk Coordinators (RCs), are appointed at each business unit, and act as the single point of contact to liaise directly with the Group's HOF in matters relating to ERM, including the submission of reports on a periodic basis. In addition, they are responsible for assisting their Heads of Department to manage and administer the business units' risk portfolios, which include arranging, organising and coordinating ERM programmes.

Assurance From The Management

The Board has also received reasonable assurance from the MD, Head of Finance, and other Department Heads that the Group's risk management and internal control system are operating adequately and effectively, in all material aspects, based on the risk management model adopted by the Group.

Conclusion

Pursuant to Paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Company for the financial year ended 31 December 2016 and reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

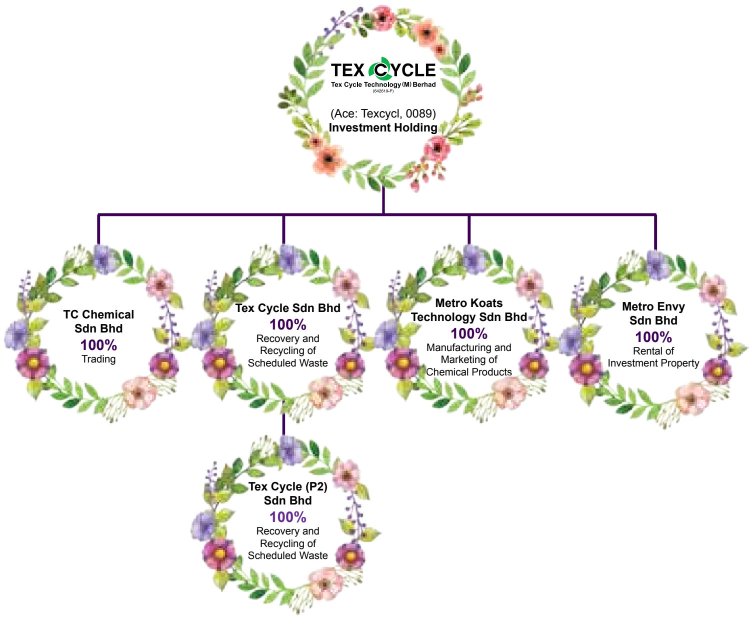
The Board is pleased to report that there were no major internal control weaknesses identified during the year, nor have any of the reported weaknesses resulted in material losses or contingencies requiring disclosure in the Group's Annual Report. The Board is of the view that the existing system of the internal control is adequate. Nevertheless, Management continues to take measures to strengthen the control environment. This statement is based on the consideration of the audit work performed by both the External Auditors and the Internal Auditors on financial and non-financial matters.

CORPORATE PROFILE

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.

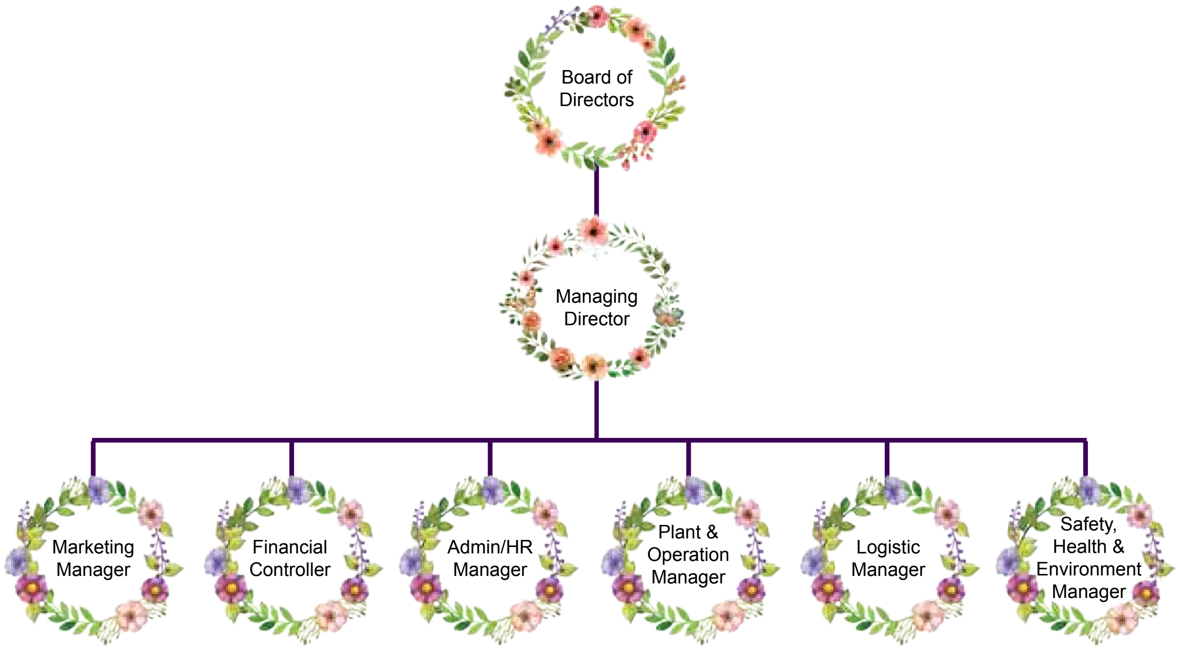
TEX CYCLE SDN. BHD.

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

CERTIFICATE

SIRIM QAS International hereby certifies that

TEX CYCLE SDN. BHD.
SITE 2
TEX CYCLE (P2) SDN. BHD.
LOT 8942 & LOT 8960
KAWASAN PERINDUSTRIAN TELOK GONG
42000 KLANG
SELANGOR DARUL EHSAN
MALAYSIA

has implemented an Environmental Management System complying with

ISO 14001 : 2004

Environmental Management System - Requirements with Guidance for Use

Scope of Certification

PROVISION FOR TRANSPORTATION, COLLECTION, RECOVERY AND RECYCLING OF SCHEDULED WASTES.

Issue date : 06 March 2015
Validity period : 08 March 2015 - 07 March 2018
Certification No. : ER 0291

Khalidah Mustafa
Managing Director
SIRIM QAS International Sdn. Bhd.

THE INTERNATIONAL CERTIFICATION NETWORK

CERTIFICATE

IQNet and SIRIM QAS International hereby certify that

TEX CYCLE SDN. BHD.
SITE 2
TEX CYCLE (P2) SDN. BHD.
LOT 8942 & LOT 8960
KAWASAN PERINDUSTRIAN TELOK GONG
42000 KLANG
SELANGOR DARUL EHSAN
MALAYSIA

has implemented and maintains an

ENVIRONMENTAL MANAGEMENT SYSTEM

which fulfils the requirements of the following standard

ISO 14001 : 2004

for the following activities

PROVISION FOR TRANSPORTATION, COLLECTION, RECOVERY AND RECYCLING OF SCHEDULED WASTES.

Issued on : 06 March 2015
Validity date : 07 March 2018
Certification Number : MY-ER 0291

Michael Drechsel
President of IQNet

Khalidah Mustafa
Managing Director
SIRIM QAS International Sdn Bhd

CORPORATE PROFILE

SIRIM QAS INTERNATIONAL

CERTIFICATE

SIRIM QAS International hereby certifies that

TEX CYCLE SDN. BHD.
NO. 7 (PLOT 24405) & NO. 8 (PLOT 24401)
JALAN TPK 2/3
TAMAN PERINDUSTRIAN KINRARA
47100 PUCHONG
SELANGOR DARUL EHSAN
MALAYSIA

has implemented an Environmental Management System complying with

ISO 14001 : 2004
Environmental Management System - Requirements with Guidance for Use

Scope of Certification

PROVISION FOR TRANSPORTATION, COLLECTION, RECOVERY AND RECYCLING OF SCHEDULED WASTES.

Issue date : 06 March 2015
Validity period : 08 March 2015 - 07 March 2018
Certification No. : ER 0291

Khalidah Mustafa
Managing Director
SIRIM QAS International Sdn. Bhd.

IQNet
THE INTERNATIONAL CERTIFICATION NETWORK

CERTIFICATE

IQNet and SIRIM QAS International hereby certify that

TEX CYCLE SDN. BHD.
NO. 7 (PLOT 24405) & NO. 8 (PLOT 24401)
JALAN TPK 2/3
TAMAN PERINDUSTRIAN KINRARA
47100 PUCHONG
SELANGOR DARUL EHSAN
MALAYSIA

has implemented and maintains an

ENVIRONMENTAL MANAGEMENT SYSTEM

which fulfils the requirements of the following standard

ISO 14001 : 2004

for the following activities

PROVISION FOR TRANSPORTATION, COLLECTION, RECOVERY AND RECYCLING OF SCHEDULED WASTES.

Issued on : 06 March 2015
Validity date : 07 March 2018
Certification Number : MY-ER 0291

Michael Drechsel
President of IQNet

Khalidah Mustafa
Managing Director
SIRIM QAS International Sdn Bhd

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.

CORPORATE PROFILE

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 their 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
- 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

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

CORPORATE RESPONSIBILITY REPORT

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 2016

ISO 14001 – Tex Cycle was first awarded with the ISO 14001 certification in March 2003 and has been recertified to-date.

<u>Prime Minister Hibiscus Awards</u>

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

<u>Malaysian Canadian Business Council</u>

- 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

<u>ACCA</u>

- 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

SUSTAINABILITY REPORT

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 January 2017. The monitoring results and the Conclusion summary which has been certified by the accredited lab are as below:

Parameter	Unit	Results of Analysis				Limit	Compliance Against MAAQS
		A1	A2	A3	A4		
Particulate Matter as PM_{10}	µg/m³	65	70	81	67	150	Complied
Nitrogen Dioxide as NO_2	µg/m³	ND<2	ND<2	ND<2	ND<2	75	Complied
Sulfur Dioxide as SO_2	µg/m³	ND<0.59	ND<0.59	ND<0.59	ND<0.59	105	Complied
Carbon Monoxide as CO	µg/m³	ND<1	ND<1	ND<1	ND<1	10	Complied
Lead as Pb	µg/m³	ND<0.01	ND<0.01	ND<0.01	ND<0.01	-	Complied

Legend

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

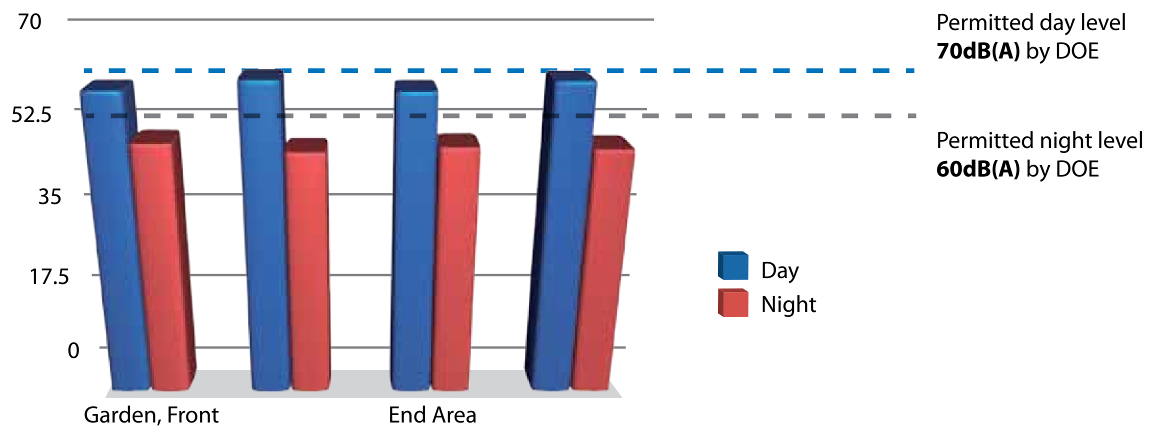
Conclusion:

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, A2, A3 and A4 were measured at concentration 65µg/m³, 70µg/m³, 81µg/m³ and 67µg/m³, well below the permitted limit of 150 µg/m³. No detection of CO, SO2, NO2 and VOC are observed during the monitoring.

A & A SCIENTIFIC RESOURCES SDN. BHD.
UITM-A&A LABORATORY

[illegible] Abdul Halim
BSc(App.Chem), MSc(Mar.Sc), AMIC
A/2448/5081/2007
(Lab Manager)

Pollution Control Monitoring – Boundary Noise



The Boundary Noise Monitoring for Tex Cycle was carried out by UiTM – A & A Laboratory in January 2017. The monitoring results and the Conclusion summary which has been certified by the accredited lab is portrayed below:

Sampling Points		Limit (dB)	LAeq (dB)	Sources of Noise
Garden (N1)	Day	70	61.7	• Sound from vehicles movement at the main road • Sound from human activities • Dog barking
	Night	60	51.6	• Sound from vehicles movement at nearby road • Natures sound • Human noise
Production Area (N2)	Day	70	61.4	• Sound from vehicles movement (forklift/ lorry) • Sound from workers • Sound from human activities
	Night	60	50.5	• Dogs barking • Natures sound
Receiving Area (N3)	Day	70	60.0	• Sound from vehicles movement at nearby road • Sound from human activities • Sound from vehicles movement (forklift/ lorry)
	Night	60	52.6	• Sound from human activities • Nature sound • Sound from vehicles movement at nearby road
Treatment Plant (N4)	Day	70	62.1	• Sound from vehicles movement inside factory area • Sound from human activities • Sound from workers
	Night	60	52.1	• Natures sound • Dog barking

Legend

Garden	:	*Front Entrance / Production Area*
Production Area	:	*Main Production Area*
Receiving Area	:	*Loading / Unloading / Waste Storage 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.

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

Treated Wastewater Quality Analysis Year 2016

No.	Parameter	Units	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	Std. B	Std. A
1	Temperature	^{0}C	29.6	23.2	24.3	21.5	23.3	23.3	21.2	22.9	20.8		24.0	**40.0**	**40.0**
2	pH Value		5.91	6.57	6.47	6.30	6.15	6.60	7	6	6.8		6.4	**5.5 - 9.0**	**6.0 - 9.0**
3	BOD at 20 ^{0}C	mg/L	0	0	7	0	7	7	15	20	13		10	**50**	**20**
4	COD	mg/L	28	11	25	38	41	29	41	67	37		34	**200**	**200**
5	Suspended Solids	mg/L	50	4	20	2	76	0	12	20	4		9	**100**	**50**
6	Mercury	mg/L	0	0	0	0	0	0	0	0.001	0.001		0.001	**0.05**	**0.005**
7	Cadmium	mg/L	0.008	0.002	0	0	0	0	0.005	0.005	0.005		0.005	**0.02**	**0.1**
8	Chromium, Hexavalent	mg/L	0	0	0	0	0	0	0	>0.05	<0.05		<0.05	**0.05**	**0.05**
9	Arsenic	mg/L	0	0	0	0	0	0	0	0.05	<0.10		<0.1	**0.10**	**0.05**
10	Cyanide	mg/L	0	0	0	0	0	0	0	0.05	<0.05		<0.05	**0.10**	**0.05**
11	Lead	mg/L	0.12	0	0.04	0	0	0	0	0.05	<0.05		<0.05	**0.5**	**0.10**
12	Chromium, Trivalent	mg/L	0	0	0	0	0	0	0	0.10	<0.05		<0.05	**1.0**	**0.20**
13	Copper	mg/L	0	0	0	0.03	0	0.44	0	0.10	<0.01		<0.1	**1.0**	**0.20**
14	Manganese	mg/L	0.50	0.92	0.50	0.17	0.27	0	0.37	0.47	0.26		0.47	**1.0**	**0.20**
15	Nickel	mg/L	0.01	0	0	0.03	0	0	0	0.17	<0.10		<0.1	**1.0**	**0.20**
16	Tin	mg/L	0	0	0	0	0	0	0.2	0.1	<0.1		<0.1	**1.0**	**0.20**
17	Zinc	mg/L	0	0	0.08	0	0.01	0	0	1.0	<1.0		<1.0	**2.0**	**2.0**
18	Boron	mg/L	0	0	0	0	0	0	0	0.5	<0.5		<0.5	**4.0**	**1.0**
19	Iron (Fe)	mg/L	1.00	0	0.99	0.89	0.94	0	1.09	5.58	0.51		4.05	**5.0**	**1.0**
20	Phenol	mg/L	0	0	0	0	0	0	0.33	0.44	<0.05		<0.05	**1.0**	**0.001**
21	Free Chlorine	mg/L	0	0	0	0	0	0	0	0.5	<5.0		<5.0	**2.0**	**1.0**
22	Sulfide	mg/L	0	0	0.24	0.34	0.32	0	0	0.2	<0.01		<0.01	**0.50**	**0.50**
23	Oil & Grease	mg/L	0	0	0	0	1	0	1	1	0.8		1.9	**100**	**1.0**
24	Chromium total	mg/L	0	0	0	0	0	0	0	0	<1.0		<1.0	**-**	**-**
25	Silver	mg/L	0	0	0	0	0	0	0	0.05	<0.5		<0.5	**1.0**	**0.1**
26	Aluminium	mg/L	0.03	0.08	0.244	0.28	0.22	0	0	5.00	0.3		0.05	**15.0**	**10**
27	Selenium	mg/L	0	0	0	0	0	0	0	0.01	1.0		1.9	**0.5**	**0.02**
28	Barium	mg/L	0.13	0.13	0.13	0.15	0.23	0	1.7	1.3	<0.2		<0.2	**2.0**	**1.0**
29	Flouride	mg/L	0	0.09	0.08	0.06	0	0	0	1.0	<1.0		<1.0	**5.0**	**2.0**
30	Formaldehyde	mg/L	0.03	0.52	0.01	0	0	0	0	0.5	<5		<5	**2.0**	**1.0**
31	Ammoniacal Nitrogen	mg/L	2.24	3.08	1.68	1.40	1.82	0	0	5.0	20		<10	**20.00**	**10**
32	Color	mg/L	0	13	32	23	10	0	0	19	21		<10	**200**	**100**

Chart 6

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

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

SGS (MALAYSIA) SDN BHD 10871-T

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.

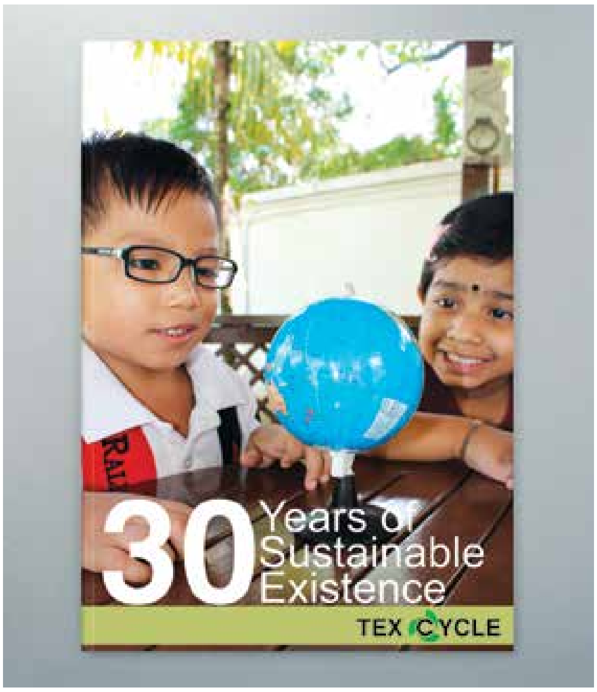
Sustainability Reporting

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

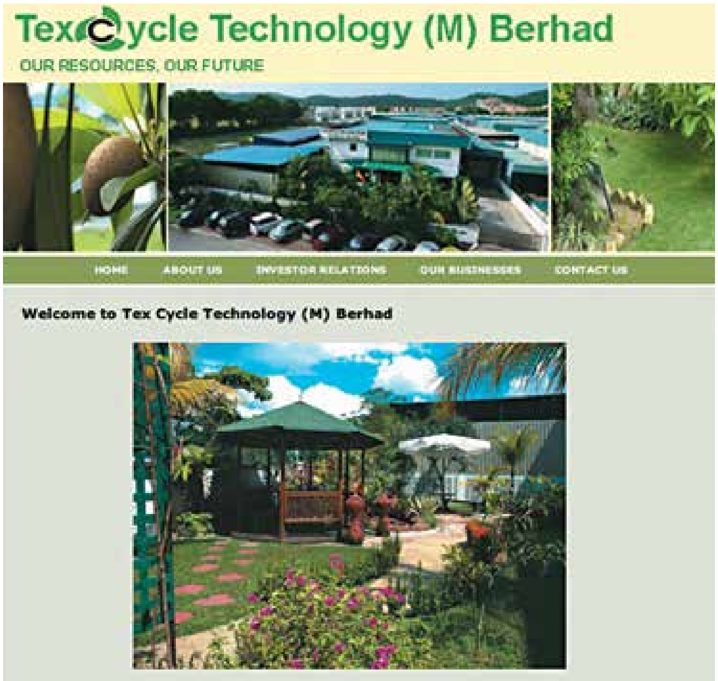
Brochures on products, services, activities and environmental objectives

Exhibition and road shows on environmental awareness and community projects

Annual Report that summarizes FinancialReport 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
- Gotong-royong Telok Gong village together with the local people in support of Tex Cycle's Environmental Month

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.

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 2016.

Share Buy-back

During the year, the Company purchased 103,000 units of its own shares through purchases on Bursa Malaysia Securities Berhad. The total amount paid for acquisition of the shares was RM122,430 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 RM1.19 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 11 May 2016, renewed their approval for the Company's plan to repurchase its own shares.

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)
May 2016	8,000	1.17	1.17	1.17	9
August 2016	80,000	1.31	1.12	1.19	96
September 2016	5,000	1.15	1.15	1.15	6
November 2016	10,000	1.17	1.17	1.17	12

As at 31 December 2016, the cumulative total number of shares repurchased was 1,935,700 (2015: 1,832,700). Of the total 170,793,000 (2014: 170,793,000) issued and fully paid ordinary shares as at 31 December 2016, 1,935,700 (2014: 1,832,700) are held as treasury shares by the Company. As at 31 December 2016, the number of outstanding ordinary shares in issue and fully paid is therefore 168,857,300 (2015: 168,960,300) 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 2016.

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 2016.

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 2016.

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 2016 amounted to RM5,000.

ADDITIONAL COMPLIANCE INFORMATION

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 2016.

Profit Guarantee

There was no profit guarantee given by the Company during the financial year ended 31 December 2016.

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 2016 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 2016.

Key Management Profile

All the Executive Directors are involved in the management of the Company. For profile of the directors, please refer to page 3 of this Annual Report.

GERALDINE HII SIAW WEI

Chief Financial Officer

Geraldine Hii Siaw Wei graduated from Curtin University of Technology with a Bachelor of Commerce, double majoring in Accounting and Finance in year 2000. In 2004, she completed her education with a Certificate of Certified Practising Accountant of CPA, Australia and become a member of the Malaysian Institute of Accountants in year 2006. She has 6 years of working experience with two international accounting firms before joining Tex Cycle Sdn Bhd as a Financial Controller in year 2006.

As the Chief Financial Officer, Geraldine leads the accounting and finance team and is responsible for all financial operations of the Group. Her roles require her to ensure that all the sales and collection of payments are in accordance, expenses are minimized, cash flows are maximised and all financial and statutory reporting are made on timely basis and accurately. She also deals with other authorities relating to taxes, corporate finance, banking and treasury, internal and external audit and listing and statutory requirement.

DIRECTOR'S RESPONSBILITY STATEMENT

The Directors are responsible for the preparation of financial statements prepared for each financial year to give a true and accurate view of the state of the Group and the Company of the results and cash flows of the Group and the Company for the financial year then ended.

In ensuring the preparation of these financial statements, the Directors have observed the following criteria:

- Overseeing the overall conduct of the Company's business and that of the Group;
- Identifying principal risks and ensuring that an appropriate system of internal control exists to manage these risks;
- Reviewing the adequacy and integrity of Internal Controls System and Management Information System in the Company and within the Group;
- Adopting suitable accounting policies and apply them consistently;
- Making judgments and estimates that are reasonable and prudent; and
- Ensuring compliance with application Approved Accounting Standards in Malaysia.

The Directors are responsible for ensuring that proper accounting and other records which are closed with reasonable accuracy at any time the financial position of the Group and ensuring that the financial statements comply with the Listing Requirements, the provisions of the Companies Act 1965 and applicable Approved Accounting Standards in Malaysia. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

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 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding.

The subsidiary companies are principally involved in recovery and recycling of scheduled waste, manufacturing and marketing of chemical products, rental of investment property, trading and other products.

The information on the name, place of incorporation, principal activities, and percentage of issue share capital held by the holding company in each subsidiary is as disclosed in Note 15 to the Financial Statements.

RESULTS OF OPERATIONS

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

	The Group RM	The Company RM
Profit before tax	16,516,604	831,898
Income tax expense	(1,339,922)	(21,550)
Profit for the year	15,176,682	810,348

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 except for the gain arising from fair value of investment property as disclosed in Note 8 to the Financial Statements.

DIVIDEND

An interim single-tier dividend of 5.0% amounting RM844,878 in respect of the current financial year was declared on 19 May 2016 and paid on 25 June 2016. 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 103,000 units of its own shares through Bursa Malaysia Securities Berhad as disclosed in Note 21 to the Financial Statements. The total amount paid for repurchase of the shares was RM122,430 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 RM1.19 per share. The repurchased shares are held as treasury shares in accordance with Section 127(4)(b) of the Companies Act, 2016.

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.

REPORT OF THE DIRECTORS

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 directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

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 Cheong and Mr. Razali bin Jantan retire by rotation at the forthcoming Annual General Meeting of the Company and, being eligible, offer themselves for re-election.

The directors who held office in the subsidiary companies of the Company during the financial year and up to the date of this report served on the Board of the Company as disclosed above.

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 59 of the Companies Act, 2016, are as follows:

	Number of ordinary shares of RM0.10* each			
	Balance as of 1.1.2016	Bought	Sold	Balance as of 31.12.2016
Shares in the Company				
Ho Siew Choong				
Direct	8,232,903	-	-	8,232,903
Deemed (Note 1)	72,392,959	-	-	72,392,959
Indirect (Note 2)	202,000	-	-	202,000
Periasamy A/L Sinakalai				
Direct	7,714,765	-	-	7,714,765
Deemed (Note 1)	72,392,959	-	-	72,392,959
Indirect (Note 2)	604,500	-	-	604,500
Ho Siew Cheong				
Direct	4,284,965	-	-	4,284,965
Deemed (Note 1)	72,392,959	-	-	72,392,959
Ho Siew Weng				
Direct	2,239,597	10,000	-	2,249,597
Deemed (Note 1)	72,392,959	-	-	72,392,959
Indirect (Note 2)	397,500	-	-	397,500
Ravindran Markandu				
Direct	190,000	35,000	-	225,000
Indirect (Note 2)	3,000	-	-	3,000
Alagasan A/L Varatharajoo				
Direct	15,000	15,000	-	30,000

REPORT OF THE DIRECTORS

Note 1: Deemed interest by virtue of his interest in Can Cycle Sdn. Bhd. pursuant to Section 8(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 59(11)(c) of the Companies Act, 2016.

* upon the effective date of the Companies Act, 2016 of 31 January 2017, the ordinary shares do not have par value.

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 subsidiary companies 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.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There were no indemnity given to or insurance effected for any directors, officers and auditors of the Company in accordance with section 289 of the Companies Act, 2016.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENT AFTER THE END OF THE FINANCIAL YEAR

Significant events during the financial year and subsequent event after the end of the financial year are disclosed in Note 33 to the Financial Statements.

REPORT OF THE DIRECTORS

AUDITORS

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

AUDITORS' REMUNERATION

The amount paid as remuneration of the auditors for the financial year ended 31 December 2016 is as disclosed in Note 8 to the Financial Statements.

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

HO SIEW CHOONG

HO SIEW WENG

Puchong
22 March 2017

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

Report on the Audit of the Financial Statements

Opinion

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 2016, 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 65 to 117.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016, 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.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

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

Key audit matters	*How the scope of our audit responses to the key audit matter*
Allowance for doubtful debts on trade and other receivables The allowance for doubtful debts of the Group continues to be a focus of our audit. The management provide allowances based on certain assumptions which required the use of estimates and judgement. The used of judgement and estimate in determining the allowances may varies due to changes in circumstance from year to year and may impact the value of the trade and other receivable balances. The accounting policies for allowance for doubtful debts on trade and other receivables are set out in Note 3, Note 4 and Note 18 to the Financial Statements.	We obtained the management's computation in calculating the allowance for doubtful debts and also the various assumptions used. The computation includes past years receivables ageing and historical collection trend. We have updated our detail understanding of the computation and the assumptions used by management and check the reasonableness of the assumptions. We checked the past years receivables ageing by vouching and matching samples of invoices to each ageing category using the invoice issuance date. We also checked the historical collection trend by vouching and matching samples of collection to bank clearance. In addition, we selected certain receivables which were material and long outstanding to traced subsequent collections.

Key audit matters	*How the scope of our audit responses to the key audit matter*
Valuation of investment property	
Investment property of the Group amounting to RM19,229,300 (2015: RM13,000,000) as at year end are measured at fair value which inherently is subject to significant valuation estimates. The directors of the Company assessed the fair value of the investment property based on the current market prices of properties of similar condition and location to determine the current fair value of the investment property. The accounting policies for valuation of investment properties are set out in Note 3, Note 4 and Note 14 to the Financial Statements.	We obtained management's computation in arriving the fair value of the investment property. The computation includes the use of a valuation report, stating similar condition and location properties factored with adjustments to reflect the different characteristic, size and surrounding of the properties. We assessed the competence, capabilities and objectivity of the valuer that issued the valuation report and obtained an understanding of the work of the valuer. We also assessed the assumptions in the valuation report to check if the assumptions used in reaching the fair value of the investment property are reasonable. In addition, we assessed the adequacy and appropriateness of disclosure made in the financial statements in relation to the investment property's income, expenses and fair value measurement category.

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

Other Information than the Financial Statements and the Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group and of the Company. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Responsibilities

The supplementary information set out in Note 34 on page 118 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 and Losses in the Context of Disclosures 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.

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

Other Matters

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

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

WONG KAR CHOON
Partner - 03153/08/2018 J
Chartered Accountant

22 March 2017

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note(s)	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Revenue	5 & 6	31,684,570	25,944,697	1,200,000	1,132,000
Cost of sales		(11,593,808)	(9,967,778)	-	-
Gross profit		20,090,762	15,976,919	1,200,000	1,132,000
Other operating income		6,752,386	1,088,392	-	40,062
Administrative expenses		(5,937,370)	(5,375,155)	(288,349)	(281,023)
Selling and distribution costs		(863,586)	(618,927)	(4,032)	-
Other operating expenses		(3,539,134)	(2,883,478)	(83,812)	(48,277)
Profit from operations		16,503,058	8,187,751	823,807	842,762
Finance costs	7	(35,343)	(101,312)	-	-
Interest income		48,889	25,181	8,091	9,663
Profit before tax	8	16,516,604	8,111,620	831,898	852,425
Income tax (expense)/credit	10	(1,339,922)	(737,988)	(21,550)	51,079
Profit for the year		15,176,682	7,373,632	810,348	903,504
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the year, net of tax		15,176,682	7,373,632	810,348	903,504
Earnings per share					
Basic and diluted (sen)	11	8.98	4.42		

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

STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2016

	Notes	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	12	31,826,337	29,735,526	-	-
Prepaid lease payments	13	13,792,777	13,978,153	-	-
Investment property	14	19,229,300	13,000,000	-	-
Goodwill on consolidation	16	583,937	583,937	-	-
Investment in subsidiary companies	15	-	-	10,579,282	10,579,282
Total Non-Current Assets		65,432,351	57,297,616	10,579,282	10,579,282
Current Assets					
Inventories	17	222,293	272,058	-	-
Trade receivables	18	10,336,728	7,166,995	-	-
Other receivables and prepaid expenses	18	1,212,691	595,653	33,266	6,988
Investment in unit trusts	19	6,860,022	3,714,479	-	-
Amount owing by subsidiary companies	20	-	-	9,881,550	8,577,251
Tax recoverable		2,545,783	2,036,263	-	21,550
Cash and bank balances	28	5,666,487	7,145,512	168,810	1,625,095
Total Current Assets		26,844,004	20,930,960	10,083,626	10,230,884
Total Assets		92,276,355	78,228,576	20,662,908	20,810,166

(Forward)

STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2016

	Notes	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
EQUITY AND LIABILITIES					
Capital and Reserves					
Issued capital	21	17,079,300	17,079,300	17,079,300	17,079,300
Treasury shares	21	(1,017,881)	(895,451)	(1,017,881)	(895,451)
Reserves	22	68,795,512	54,463,708	4,548,639	4,583,169
Total Equity		84,856,931	70,647,557	20,610,058	20,767,018
Non-Current Liabilities					
Hire-purchase payables - non-current portion	23	58,970	196,013	-	-
Term loan - non-current portion	24	3,503,059	3,932,509	-	-
Deferred tax liabilities	25	1,164,465	854,000	-	-
Total Non-Current Liabilities		4,726,494	4,982,522	-	-
Current Liabilities					
Trade payables	26	106,326	184,067	-	-
Other payables and accrued expenses	26	1,958,779	1,616,129	52,850	39,200
Hire-purchase payables - current portion	23	137,044	183,571	-	-
Term loan - current portion	24	451,632	451,632	-	-
Amount owing to a subsidiary company	20	-	-	-	3,948
Tax liabilities		39,149	163,098	-	-
Total Current Liabilities		2,692,930	2,598,497	52,850	43,148
Total Liabilities		7,419,424	7,581,019	52,850	43,148
Total Equity and Liabilities		92,276,355	78,228,576	20,662,908	20,810,166

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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

The Group	Note	Issued capital RM	Treasury shares RM	Non-distributable reserve - Share premium RM	Distributable reserve - Retained earnings RM	Total RM
Balance as of 1 January 2015		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	21	-	(89,070)	-	-	(89,070)
Dividends paid	27	-	-	-	(1,267,510)	(1,267,510)
Balance as of 31 December 2015		17,079,300	(895,451)	4,521,517	49,942,191	70,647,557
Balance as of 1 January 2016		17,079,300	(895,451)	4,521,517	49,942,191	70,647,557
Total comprehensive income for the year		-	-	-	15,176,682	15,176,682
Share buy back	21	-	(122,430)	-	-	(122,430)
Dividend paid	27	-	-	-	(844,878)	(844,878)
Balance as of 31 December 2016		17,079,300	(1,017,881)	4,521,517	64,273,995	84,856,931

(Forward)

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

The Company	Note	Issued capital RM	Treasury shares RM	Non-distributable reserve - Share premium RM	Distributable reserve - Retained earnings RM	Total RM
Balance as of 1 January 2015		17,079,300	(806,381)	4,521,517	425,658	21,220,094
Total comprehensive loss for the year		-	-	-	903,504	903,504
Share buy back	21	-	(89,070)	-	-	(89,070)
Dividends paid	27	-	-	-	(1,267,510)	(1,267,510)
Balance as of 31 December 2015		17,079,300	(895,451)	4,521,517	61,652	20,767,018
Balance as of 1 January 2016		17,079,300	(895,451)	4,521,517	61,652	20,767,018
Total comprehensive income for the year		-	-	-	810,348	810,348
Share buy back	21	-	(122,430)	-	-	(122,430)
Dividend paid	27	-	-	-	(844,878)	(844,878)
Balance as of 31 December 2016		17,079,300	(1,017,881)	4,521,517	27,122	20,610,058

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

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit for the year	15,176,682	7,373,632	810,348	903,504
Adjustments for:				
Depreciation of property, plant and equipment	3,089,612	2,806,675	-	-
Tax expense/(credit) recognised in profit or loss	1,339,922	737,988	21,550	(51,079)
Allowance for doubtful debts	952,684	582,613	-	-
Amortisation of prepaid lease payments	185,376	185,376	-	-
Bad debts written off	70,022	-	-	-
Property, plant and equipment written off	61,489	23,080	-	-
Finance costs	35,343	101,312	-	-
Changes in fair value of unit trusts	30,415	(165,146)	-	-
Unrealised loss/(gain) on foreign exchange	289	(27,857)	-	-
Gain arising from fair value of investment property	(6,229,300)	-	-	-
Allowance for doubtful debts no longer required	(208,933)	(479,536)	-	-
Gain on investment in unit trusts	(175,958)	(128,172)	-	-
Provision for litigation costs no longer required	-	(31,250)	-	-
Interest income	(48,889)	(25,181)	(8,091)	(9,663)
Gain arising from insurance claim on loss of property, plant and equipment	(8,300)	(750)	-	-
Gain on disposal of property, plant and equipment	(1,000)	(125,000)	-	-

(Forward)

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Dividend income	-	-	(1,200,000)	(1,132,000)
Operating Profit/(Loss) Before Working Capital Changes	14,269,454	10,827,784	(376,193)	(289,238)
Decrease/(Increase) in:				
Inventories	49,765	23,451	-	-
Trade receivables	(3,983,506)	(989,213)	-	-
Other receivables and prepaid expenses	140,962	78,615	(26,278)	37,492
Increase/(Decrease) in:				
Trade payables	(77,741)	53,333	-	-
Other payables and accrued expenses	(109,717)	(990,778)	13,650	3,500
Cash Generated From/(Used In) Operations	10,289,217	9,003,192	(388,821)	(248,246)
Tax refunded	665,242	539,205	-	51,079
Tax paid	(2,328,168)	(2,185,108)	-	-
Net Cash From/(Used In) Operating Activities	8,626,291	7,357,289	(388,821)	(197,167)

(Forward)

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES				
(Increase)/Decrease in other	(758,000)	552,900	-	-
receivables and prepaid expenses	48,889	25,181	8,091	9,663
Interest received				
Proceeds from insurance claim on loss of property, plant and equipment	8,300	750	-	-
Proceeds from disposal of property, plant and equipment	1,000	125,000	-	-
Addition of property, plant and equipment (Note)	(4,789,545)	(3,990,707)	-	-
Additional investment in unit trusts	(3,000,000)	-	-	-
(Decrease)/Increase in amount owing by subsidiary companies	-	-	(104,299)	2,814,723
Net Cash (Used In)/From Investing Activities	(8,489,356)	(3,286,876)	(96,208)	2,824,386
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES				
Dividends paid	(844,878)	(1,267,510)	(844,878)	(1,267,510)
Repayment of term loan	(429,450)	(364,553)	-	-
Payment of hire-purchase payables	(183,570)	(179,189)	-	-
Share buyback	(122,430)	(89,070)	(122,430)	(89,070)
Finance costs paid	(35,343)	(101,312)	-	-
Amount owing to a subsidiary company	-	-	(3,948)	3,948
Net Cash Used In Financing Activities	(1,615,671)	(2,001,634)	(971,256)	(1,352,632)

(Forward)

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(1,478,736)	2,068,779	(1,456,285)	1,274,587
Effect of changes in exchange rate		(289)	27,857	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		7,145,512	5,048,876	1,625,095	350,508
CASH AND CASH EQUIVALENTS AT END OF YEAR	28	5,666,487	7,145,512	168,810	1,625,095

Note:

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

	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Payment by cash	4,789,545	3,990,707	-	-
Other payables	452,367	-	-	-
Financed by hire-purchase	-	429,400	-	-
	5,241,912	4,420,107	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the 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 Group and of the Company were authorised for issuance by the Board of Directors in accordance with a resolution of the directors on 22 March 2017.

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 standard and 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 2016:

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements

Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2012 - 2014 Cycle

The adoption of the above Amendments and Standards did not have material effect on the financial statements of the Group and of the Company.

Standards, Amendments and Interpretation in issue but not yet effective

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

MFRS 9	Financial Instruments[2]
MFRS 15	Revenue from Contracts with Customers[2]
MFRS 16	Leases[3]
Amendments to MFRS 2	Classifcation and Measurement of Share-based Payment Transaction[2]
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts[2]
Amendments to MFRS 140	Transfers of Investment Property[2]
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration[2]
Amendments to MFRS 107	Disclosure Initiative[1]
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses[1]

Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2014 - 2016 Cycle

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

The directors anticipate that the abovementioned Standards, Amendments and Interpretation will be adopted in the annual financial statements of the Group and the Company when they become effective. However, it is not practicable to provide a reasonable estimate of the effect of abovementioned standards until the Group and the Company complete a detailed review, except as discussed below.

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2015) 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 2015, 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 complete a detailed review.

MFRS 16 Leases

MFRS 16 as issued by the MASB in April 2016 applies to annual reporting periods beginning on or after 1 January 2019 and specifies how the Group and the Company will recognise, measure, present and disclose leases then. This Standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117 *Leases*.

The directors are currently assessing the impact of adoption of MFRS 16 on the amounts reported and the disclosures in the financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 16 until the Group and the Company complete 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 entirely, 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 of 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.

Business Combinations

Acquisitions of the subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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 ("GST").

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.

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 subsidiaries 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. The deferred tax impact arising from changes in fair value will also be recognised in profit or loss.

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.

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 4.5% (2015: 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 review 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 estimate 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 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:

Fair Value of Investment Property (Note 14)

The fair value of the investment property was estimated at RM19,229,300 (2015: RM13,000,000) based on the directors' estimates. The directors of the Company assessed the fair value of the investment property of the Group is based on the current prices in the market of properties of similar condition and location stated in a valuation report. The directors revalued the investment property during the year so that the carrying amount approximates its current fair value.

Allowance for Doubtful Debts (Note 18)

The Group 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.

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 2016, the Group has deferred tax liabilities of RM1,164,465 (2015: RM854,000).

5. REVENUE

	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Provision of waste recovery and recycling services	28,948,753	23,319,381	-	-
Rental income from investment property (Note 14)	1,012,194	974,592	-	-
Rental of recycled products	816,618	903,497	-	-
Trading of chemicals and other products	562,226	381,634	-	-
Sales of goods	344,779	365,593	-	-
Gross dividend income from subsidiary companies	-	-	1,200,000	1,132,000
	31,684,570	25,944,697	1,200,000	1,132,000

6. OPERATING COSTS APPLICABLE TO REVENUE

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

	Note	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Direct costs on services rendered		6,386,824	5,686,379	-	-
Staff costs		4,853,610	4,208,190	-	-
Depreciation of property, plant and equipment	12	3,089,612	2,806,675	-	-
Directors' remuneration	9	2,291,800	2,133,720	204,700	215,300
Amortisation of prepaid lease payments	13	185,376	185,376	-	-
Costs of chemicals and other products sold		81,859	164,517	-	-
Raw materials and consumables used		126,030	65,242	-	-
Changes in inventories of finished goods		25,580	(284,951)	-	-
Other operating expenses		4,893,207	3,880,190	171,493	114,000
		21,933,898	18,845,338	376,193	329,300

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 RM311,422 (2015: RM380,419).

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCE COSTS

	The Group	
	2016 RM	2015 RM
Interest expense on:		
Hire-purchase	13,288	14,359
Term loan	22,055	86,953
	35,343	101,312

8. PROFIT BEFORE TAX

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

		The Group		The Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Allowance for doubtful debts	18	952,684	582,613	-	-
Auditors' remuneration:					
Current year		114,500	104,000	40,000	28,500
Other services		5,000	5,000	5,000	5,000
Bad debts written off		70,022	-	-	-
Direct operating expenses arising from investment property	14	53,505	53,872	-	-
Changes in fair value of unit trusts	19	30,415	(165,146)	-	-
Property, plant and equipment written off		61,489	23,080	-	-
Unrealised loss/(gain) on foreign exchange		289	(27,857)	-	-
Gain arising from fair value of investment property	14	(6,229,300)	-	-	-
Allowance for doubtful debts no longer required	18	(208,933)	(479,536)	-	-
Gain on investment in unit trusts	19	(175,958)	(128,172)	-	-
Interest income from short-term deposits		(48,889)	(25,181)	(8,091)	(9,663)
Gain arising from disposal of property, plant and equipment		(1,000)	(125,000)	-	-
Provision for litigation costs no longer required		-	(31,250)	-	-

(Forward)

NOTES TO THE FINANCIAL STATEMENTS

	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Gain arising from insurance claim on loss of property, plant and equipment	(8,300)	(750)	-	-
Realised gain on foreign exchange	(345)	(13,605)	-	-
Legal compensation received	-	(40,062)	-	(40,062)

9. DIRECTORS' REMUNERATION

	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Executive directors:				
Paid by the Company:				
Fees	61,800	60,000	61,800	60,000
Other emoluments	17,500	19,500	17,500	19,500
	79,300	79,500	79,300	79,500
Paid by the subsidiary companies:				
Salaries and other emoluments	1,800,000	1,688,000	-	-
Contributions to EPF	287,100	230,420	-	-
	2,087,100	1,918,420	-	-
Non-executive directors:				
Fees	98,100	107,000	98,100	107,000
Other emoluments	27,300	28,800	27,300	28,800
	125,400	135,800	125,400	135,800
Total (Note 6)	2,291,800	2,133,720	204,700	215,300

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

	Number of Directors 2016	Number of Directors 2015
Executive directors: Above RM150,000	4	4
Non-executive directors: Below RM50,000	3	3

10. INCOME TAX EXPENSE/(CREDIT)

	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Estimated tax payable:				
Current year	1,031,246	804,908	-	-
(Over)/Underprovision in prior years	(1,789)	(2,183)	21,550	(51,079)
	1,029,457	802,725	-	(51,079)
Deferred tax (Note 25):				
Current year	431,465	(543,070)	-	-
(Over)/Underprovision in prior years	(121,000)	478,333	-	-
	310,465	(64,737)	-	-
	1,339,922	737,988	21,550	(51,079)

A numerical reconciliation of income tax expense/(credit) applicable to profit 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 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Profit before tax	16,516,604	8,111,620	831,898	852,425
Tax at the applicable tax rate of 24% (2015: 25%)	3,963,985	2,027,905	199,656	213,106
Tax effects of:				
Non-deductible expenses	519,152	344,488	-	82,324
Pioneer business income	(1,710,772)	(1,242,250)	-	-
Income not subject to tax	(1,113,671)	(101,317)	(199,656)	(295,430)
Reduction in income tax rate	-	(11,238)	-	-
Deferred tax liabilities not recognised under pioneer status	(202,000)	(800,000)	-	-
Deferred tax assets not recognised	6,017	71,150	-	-
Utilisation of deferred tax assets not recognised previously	-	(26,900)	-	-
(Over)/Underprovision in prior years:				
Current tax	(1,789)	(2,183)	21,550	(51,079)
Deferred tax	(121,000)	478,333	-	-
	1,339,922	737,988	21,550	(51,079)

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 of 31 December 2016, TCP2 has tax-exempt income of approximately RM7,128,000 (2015: RM5,158,000) 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 approximately RM4,042,000 (2015: RM3,200,000) 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 2016, 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:

	The Group	
	2016	**2015**
	RM	**RM**
Temporary differences arising from inventories	229,000	229,000
Unused tax losses	832,670	807,600
	1,061,670	1,036,600

The unused tax losses is 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:

	The Group	
	2016	**2015**
Basic		
Profit for the year (RM)	15,176,682	7,373,632
Weighted average number of ordinary shares in issue (units of RM0.10 each)	168,926,527	169,022,030
Basic earnings per share (sen)	8.98	4.36

Diluted

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

12. PROPERTY, PLANT AND EQUIPMENT

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
Cost									
As of 1 January 2015	831,994	733,377	4,089,030	973,347	16,982,940	4,806,120	526,611	9,399,728	38,343,147
Additions	-	-	-	80,918	885,133	1,431,421	85,755	1,936,880	4,420,107
Disposals	-	-	-	-	-	(902,600)	-	-	(902,600)
Written off	-	-	-	-	-	-	-	(23,080)	(23,080)
Reclassification	-	-	7,120,038	-	111,877	-	-	(7,231,915)	-
As of 31 December 2015	831,994	733,377	11,209,068	1,054,265	17,979,950	5,334,941	612,366	4,081,613	41,837,574
As of 1 January 2016	831,994	733,377	11,209,068	1,054,265	17,979,950	5,334,941	612,366	4,081,613	41,837,574
Additions	-	-	-	28,260	160,178	597,884	48,478	4,407,112	5,241,912
Disposals	-	-	-	-	-	(19,000)	-	-	(19,000)
Written off	-	-	-	-	-	-	(191,572)	(23,175)	(214,747)
Reclassification	-	-	-	223,000	1,190,243	-	-	(1,413,243)	-
As of 31 December 2016	831,994	733,377	11,209,068	1,305,525	19,330,371	5,913,825	469,272	7,052,307	46,845,739

(Forward)

NOTES TO THE FINANCIAL STATEMENTS

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
Accumulated depreciation									
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
As of 1 January 2016	-	167,601	423,675	761,746	6,954,305	2,731,726	434,741	-	11,473,794
Charge for the year	-	14,667	229,337	105,595	1,722,967	897,804	119,242	-	3,089,612
Disposals	-	-	-	-	-	(19,000)	-	-	(19,000)
Written off	-	-	-	-	-	-	(153,258)	-	(153,258)
As of 31 December 2016	-	182,268	653,012	867,341	8,677,272	3,610,530	400,725	-	14,391,148

(Forward)

NOTES TO THE FINANCIAL STATEMENTS

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
Accumulated impairment loss									
As of 1 January 2015, 31 December 2015 and 31 December 2016	-	-	-	-	628,254	-	-	-	628,254
Net book value									
As of 31 December 2016	831,994	551,109	10,556,056	438,184	10,024,845	2,303,295	68,547	7,052,307	31,826,337
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

Included in property, plant and equipment of the Group as of 31 December 2016 are motor vehicles acquired under hire-purchase arrangements with net book value amounting to RM571,145 (2015: RM837,602).

Included in property, plant and equipment of the Group as of 31 December 2016 are fully depreciated property, plant and equipment with an aggregate cost of approximately RM8,711,000 (2015: RM8,389,000) which are still in use.

As of 31 December 2016, leasehold building with a net book value amounting to RM1,812,479 (2015: RM1,834,033) 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	
	2016 RM	2015 RM
Cost		
At beginning of year and at end of year	14,852,133	14,852,133
Accumulated amortisation		
At beginning of year	873,980	688,604
Charge for the year (Note 6)	185,376	185,376
At end of year	1,059,356	873,980
Net	13,792,777	13,978,153

As of 31 December 2016, the unexpired lease periods of the said leasehold land range from 52 years to 95 years (2015: 53 years to 96 years).

As of 31 December 2016, leasehold land with a carrying amount of RM2,453,632 (2015: RM2,483,032) 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.

14. INVESTMENT PROPERTY

	The Group	
	2016 RM	2015 RM
At beginning of year	13,000,000	13,000,000
Gain arising from fair value of investment (Note 8)	6,229,300	-
At end of year	19,229,300	13,000,000

The fair value of the investment property was estimated at RM19,229,300 (2015: RM13,000,000) based on the directors' estimates. The directors of the Company used a valuation report to determine 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, the following information is relevant:

Description	Fair Value as at 31 December 2016 RM	Valuation techniques	Significant unobservable inputs	Range
The subject entitlement-long term leasehold land located in Jalan Kuchai Lama	19,229,300 (2015: 13,000,000)	Sales transaction comparison based on similar location and condition.	Estimated transaction price per square foot	RM300-RM357 per square foot (2015: RM204-RM241 per square foot)

15. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company 2016 RM	2015 RM
Unquoted shares - at cost	10,829,282	10,829,282
Accumulated impairment loss		
At beginning and end of year	250,000	250,000
Net	10,579,282	10,579,282

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 2016 %	2015 %	Principal Activities
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.
TC Chemical Sdn. Bhd.	100	100	Trading of chemicals and other products.
Subsidiary company held through Tex Cycle Sdn. Bhd.			
Tex Cycle (P2) Sdn. Bhd.	100	100	Recovery and recycling of scheduled waste.

16. GOODWILL ON CONSOLIDATION

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 4.5% (2015: 4.7%) per annum. The discount rate used is 4.65% (2015: 4.65%) per annum.

<u>Sensitivity to change in assumption</u>

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.

17. INVENTORIES

	The Group	
	2016 RM	2015 RM
Recycled products	179,537	203,722
Finished goods	538,516	564,096
	718,053	767,818
Less: Allowance for slow-moving inventories	(495,760)	(495,760)
	222,293	272,058

18. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

Trade receivables consist of:

	The Group	
	2016 RM	2015 RM
Trade receivables	12,370,742	9,678,170
Less: Allowance for doubtful debts	(2,034,014)	(2,511,175)
Net	10,336,728	7,166,995

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 (2015: 30 to 90 days).

NOTES TO THE FINANCIAL STATEMENTS

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 (1½ years) based on certain assumption used. It does not hold any collateral over these impaired balances. The average age of these receivables is 119 days (2015: 105 days).

Aging of past due but not impaired

	The Group	
	2016 RM	2015 RM
61 - 90 days	937,294	885,725
91 - 120 days	481,676	699,721
121 - 545 days	2,321,583	2,337,549
	3,740,553	3,922,995

Movement in allowance for doubtful debts

	The Group	
	2016 RM	2015 RM
At beginning of year	2,511,175	2,506,523
Charge for the year (Note 8)	952,684	582,613
Allowance for doubtful debts no longer required (Note 8)	(208,933)	(479,536)
Written off during the year	(1,220,912)	(98,425)
At end of year	2,034,014	2,511,175

Aging of impaired trade receivables

	The Group	
	2016 RM	2015 RM
More than 545 days	2,034,014	2,511,175

Other receivables and prepaid expenses consist of:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Other receivables	76,733	190,079	-	1,723
Refundable deposits	1,013,547	286,066	1,000	1,000
Prepaid expenses	177,411	174,508	32,266	4,265
	1,267,691	650,653	33,266	6,988
Less: Allowance for doubtful debts	(55,000)	(55,000)	-	-
	1,212,691	595,653	33,266	6,988

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 GST receivable of RMNil (2015: RM9,611) and RMNil (2015: RM1,723) respectively.

Included in deposits is an amount of RM758,000 (2015: RMNil) represents deposits paid for the acquisition of a leasehold land (Note 33).

19. INVESTMENT IN UNIT TRUSTS

	The Group	
	2016 RM	2015 RM
At fair value:		
At beginning of year	3,714,479	3,421,161
Additions	3,000,000	-
Gain on investment in unit trusts (Note 8)	175,958	128,172
Changes in fair value (Note 8)	(30,415)	165,146
At end of year	6,860,022	3,714,479

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. As the fair value derived from quoted prices in active markets, the fair value of the Group's investment in unit trusts is classified as Level 1.

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.

During the financial year, significant transactions undertaken with holding and related companies, which are determined on a basis as negotiated between the said companies, are as follows:

	The Company	
	2016 RM	2015 RM
Tex Cycle Sdn Bhd		
Dividends received (Note 6)	1,200,000	1,132,000

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 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Short-term employee benefits	873,155	755,813	-	-
Contributions to EPF	104,401	90,851	-	-
	977,566	846,664	-	-

21. ISSUED CAPITAL AND TREASURY SHARES

	The Group and The Company No. of shares 2016	No. of shares 2015	2016 RM	2015 RM
Authorised:				
Ordinary shares of RM0.10 each	200,000,000	200,000,000	20,000,000	20,000,000
Issued and fully paid:				
Ordinary shares of RM0.10 each	170,793,000	170,793,000	17,079,300	17,079,300
Treasury shares:				
At beginning of year	1,832,700	1,681,100	895,451	806,381
Repurchased during the year	103,000	151,600	122,430	89,070
At end of year	1,935,700	1,832,700	1,017,881	895,451

The repurchased shares were financed by internally generated funds and the average price paid for the shares was 119 sen (2015: 59 sen) per share. The repurchased shares are held as treasury shares in accordance with Section 127(4)(b) of the Companies Act, 2016.

22. RESERVES

	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Non-Distributable:				
Share premium	4,521,517	4,521,517	4,521,517	4,521,517
Distributable:				
Retained earnings	64,273,995	49,942,191	27,122	61,652
	68,795,512	54,463,708	4,548,639	4,583,169

NOTES TO THE FINANCIAL STATEMENTS

	The Group and The Company	
	2016	2015
	RM	RM
Share premium		
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	(878,483)	(878,483)
	4,521,517	4,521,517

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	
	2016	2015
	RM	RM
Total outstanding	202,768	399,649
Less: Interest-in-suspense	(6,754)	(20,065)
Principal outstanding	196,014	379,584
Less: Amount due within 12 months (shown under current liabilities)	(137,044)	(183,571)
Non-current portion	58,790	196,013

The non-current portion is payable as follows:

	The Group	
	2016	2015
	RM	RM
Financial years ending 31 December:		
2016	-	137,044
2017	58,970	58,969
	58,970	196,013

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 2016, the effective borrowing rate ranged from 4.48% to 4.65% (2015: 4.48% to 4.65%) 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.

NOTES TO THE FINANCIAL STATEMENTS

24. TERM LOAN - SECURED

	The Group	
	2016 RM	2015 RM
Principal outstanding	3,954,691	4,384,141
Less: Amount due within 12 months	(451,632)	(451,632)
Non-current portion	3,503,059	3,932,509

The non-current portion is repayable as follows:

	The Group	
	2016 RM	2015 RM
Between 1 - 2 years	903,264	903,264
Between 3 - 4 years	903,264	903,264
Between 5 - 8 years	1,696,531	1,806,528
More than 8 years	-	319,453
	3,503,059	3,932,509

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% (2015: 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	
	2016 RM	2015 RM
At beginning of year	854,000	918,737
Charge/(Credit) to profit or loss (Note 10):		
Temporary differences arising from:		
Property, plant and equipment	(32,000)	(266,976)
Unused tax losses	19,000	(35,000)
Investment property	311,465	269,000
Cash and bank balances	(7,000)	7,000
Other receivables	(10,000)	(3,514)
Trade receivables	29,000	(35,247)
	310,465	(64,737)
At end of year	1,164,465	854,000

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

	The Group	
	2016 RM	2015 RM
Deferred tax assets (before offsetting):		
Temporary differences arising from:		
Trade receivables	293,404	322,404
Unused tax losses	16,000	35,000
Other receivables	13,514	3,514
	322,918	360,918
Offsetting	(322,918)	(360,918)
Deferred tax assets (after offsetting)	-	-
Deferred tax liabilities (before offsetting):		
Temporary differences arising from		
Property, plant and equipment	(906,918)	(938,918)
Investment property	(580,465)	(269,000)
Cash and bank balances	-	(7,000)
	(1,487,383)	(1,214,918)
Offsetting	322,918	360,918
Deferred tax liabilities (after offsetting)	(1,164,465)	(854,000)

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 (2015: 30 to 90 days).

Other payables and accrued expenses consist of:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Other payables	1,011,533	533,292	-	-
Refundable deposits from tenants	291,276	291,276	-	-
Accrued expenses	655,970	603,604	52,850	39,200
Amount owing to directors	-	187,957	-	-
	1,958,779	1,616,129	52,850	39,200

Amount owing to directors, which arose mainly from advances and payments on behalf, is secured, interest-free and repayable on demand. Included in other payables of the Group is GST payable and addition to property, plant and equipment of RM205,542 (2015: RM308,530) and RM452,367 (2015: RMNil) respectively.

27. DIVIDENDS

	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
In respect of financial year 2014				
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
In respect of financial year 2015:				
Interim single tier dividend of RM0.0049 per share on 170,793,000 ordinary shares of RM0.10 each	-	844,902	-	844,902
In respect of financial year 2016:				
Interim single tier dividend of RM0.0050 per share on 170,793,000 ordinary shares of RM0.10 each	844,878	-	844,878	-
	844,878	1,267,510	844,878	1,267,510

28. CASH AND CASH EQUIVALENTS

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

	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Cash on hand and at banks	5,016,319	6,923,653	78,846	1,537,931
Short-term deposits with a licensed investment bank	650,168	221,859	89,964	87,164
	5,666,487	7,145,512	168,810	1,625,095

The short-term deposits with a licensed investment bank earn interest at an average rate of 3.17% (2015: 3.15%) per annum and have maturity periods ranging from 7 to 30 days (2015: 7 to 30 days).

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

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	5,333,820	6,985,383	168,810	1,625,095
United States Dollar	332,667	160,129	-	-
	5,666,487	7,145,512	168,810	1,625,095

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 2016.

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	
	2016 RM	2015 RM	2016 RM	2015 RM
Financial assets				
Loans and receivables:				
Trade receivables	10,336,728	7,166,995	-	-
Other receivables and refundable deposits (Note 18)	1,032,150	411,534	1,000	1,000
Amount owing by subsidiaries	-	-	9,881,550	8,577,251
	11,368,878	7,578,529	9,882,550	8,578,251
Designated as at FVTPL:				
Investment in unit trusts	6,860,022	3,714,479	-	-
Cash and bank balances	5,666,487	7,145,512	168,810	1,625,095

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Financial liabilities				
Amortised cost:				
Trade payables	106,326	184,067	-	-
Other payables and accrued expenses (Note 26)	1,753,237	1,276,349	52,850	39,200
Hire-purchase payables (Note 23)	196,014	379,584	-	-
Term loan (Note 24)	3,954,691	4,384,141	-	-
Amount owing to a subsidiary company	-	-	-	3,948
	6,010,268	6,224,141	52,850	43,148

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	
	2016 RM	2015 RM
Cash and bank balances (Note 28)	332,667	160,129

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

	USD Impact The Group	
	2016	2015
	RM	RM
Profit or loss	33,267	16,013

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 and hire purchase are fixed at the inception of the arrangement.

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 2016 would decrease/increase by approximately RM20,000 (2015: RM22,000). 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 subsidiary companies.

The credit risk on bank balances and short term deposit 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
31 December 2016					
Hire-purchase payables	4.48 to 4.65	143,136	59,632	-	202,768
Term loan	4.65	451,632	2,258,160	4,064,688	6,774,480
		594,768	2,317,792	4,064,688	6,977,248
31 December 2015					
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
		648,513	2,460,928	4,516,320	7,625,761

The Company	Weighted average effective interest rate %	Less than 1 year RM
31 December 2016		
Financial guarantee contract	-	3,954,691
31 December 2015		
Financial guarantee contract	-	4,384,141

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.

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

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 provided by the fund manager.

- **Hire-purchase payables:** The fair value 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).

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
The Group				
31 December 2016				
Financial asset at FVTPL				
Investment in unit trusts	6,860,022	-	-	6,860,022
31 December 2015				
Financial assets at FVTPL				
Investment in unit trusts	3,714,479	-	-	3,714,479

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

The Group 2016	Investment holding RM	Recovery and recycling services RM	Manufacturing RM	Trading RM	Others RM	Eliminations RM	Total RM
Revenue							
External sales	-	29,765,371	344,779	562,226	1,012,194	-	31,684,570
Inter-segment sales	1,200,000	317,485	4,423	-	-	(1,521,908)	-
Total revenue	1,200,000	30,082,856	349,202	562,226	1,012,194	(1,521,908)	31,684,570
Results							
Segment results	823,807	10,933,585	119,357	(239,327)	850,967	(2,214,631)	10,273,758
Gain arising from fair value of investment property	-	-	-	-	6,229,300	-	6,229,300
Finance costs							(35,343)
Interest income							48,889
Profit before tax							16,516,604
Income tax expense							(1,339,922)
Profit for the year							15,176,682

(Forward)

The Group 2016	Investment holding RM	Recovery and recycling services RM	Manufacturing RM	Trading RM	Others RM	Eliminations RM	Total RM
Assets							
Segment assets	8,167,563	97,049,233	2,798,681	22,984,642	21,567,436	(62,836,983)	89,730,572
Unallocated corporate assets							2,545,783
Consolidated total assets							92,276,355
Liabilities							
Segment liabilities	52,850	41,353,726	151,680	24,854,965	2,639,572	(62,836,983)	6,215,810
Unallocated corporate liabilities							1,203,614
Consolidated total liabilities							7,419,424
Other Information							
Additions to capital expenditure (Notes 12 and 13)	-	4,492,358	2,500	747,054	-	-	5,241,912
Depreciation and amortisation (Notes 12 and 13)	-	2,803,180	15,334	456,474	-	-	3,274,988

The Group 2015	Investment holding RM	Recovery and recycling services RM	Manufacturing RM	Trading RM	Others RM	Eliminations RM	Total RM
Revenue							
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)	-
Total revenue	1,132,000	24,292,735	366,003	381,634	974,592	(1,202,267)	25,944,697
Results							
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)
Profit for the year							7,373,632

(Forward)

NOTES TO THE FINANCIAL STATEMENTS

The Group 2015	Investment holding RM	Recovery and recycling services RM	Manufacturing RM	Trading RM	Others RM	Eliminations RM	Total RM
Assets							
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
Liabilities							
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
Other Information							
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

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:

	2016 RM	2015 RM
Not later than 1 year	999,064	598,580
Later than 1 year and not later than 5 years	1,128,314	228,100
	2,127,378	826,680

32. CAPITAL COMMITMENTS

As of 31 December 2016, the Group have the following capital commitment in respect of the acquisition of property, plant and equipment:

	2016 RM	2015 RM
Approved and contracted for	3,764,144	-

33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENT AFTER THE END OF THE FINANCIAL YEAR

Significant events during the financial year are as follow:

i) On 20 March 2015, 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. ("POSSB") 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 2013 transferred the entire business including all assets and liabilities to POSSB.

On 2 June 2015, POSSB 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 POSSB 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 2015, the High Court of Malaya had dismissed TCCSB's claim against PSB and POSSB and had allowed the counter claim by POSSB for RM1,500,000. Further on 13 March 2016, the High Court of Malaya had dismissed the remaining counterclaims against TCCSB made by POSSB and further awarded POSSB costs of RM125,000.

Subsequently TCCSB filed an appeal and POSSB filed a cross appeal against each other respectively on all claims. On 14 May 2016, 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.

NOTES TO THE FINANCIAL STATEMENTS

On 20 December 2016, the Board of Directors decided not to appeal to the Federal Court in respect of the counter claim by POSSB and have written off the amount of RM1,262,900 against trade receivables balances. The trade receiveables balances was previously provided as allowance for doubtful debts.

ii) On 16 November 2016, Tex Cycle (P2) Sdn Bhd, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement ("SNP") to purchase a piece of leasehold land for a total cash consideration of RM7,580,000. The deposits relating to the acquisition is disclosed in Note 18. The SNP has not been completed at the date of report.

iii) On 9 August 2016, Tex Cycle (P2) Sdn Bhd, a wholly-owned subsidiary of the Company has obtained approval from Sustainable Energy Development Authority Malaysia ("SEDA") to build and operate a renewable electrical energy power plant with a capacity to supply 2 Megawatt per hour of electricity to Tenaga Nasional Berhad ("TNB"), a national grid provider, for a period of 16 years, commencing before 28 January 2018.

A power purchase agreement ("PPA") with TNB was signed on 2 February 2017 at a fixed tariff rate of RM0.4766 per kilowatt-hour for 16 years.

Subsequent event after the end of the financial year is as follow:

i) The Companies Act, 2016 (New Act) was enacted to replace the Companies Act, 1965 and was passed by Parliament on 4 April 2016. The New Act was subsequently gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for section 241 and Division 8 of Part III of the New Act, to be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Company would include the removal of the authorised share capital, replacement of no par value shares in place of par or nominal value shares, and the treatment of share premium and capital redemption reserves.

The adoption of the New Act is not expected to have any financial impact on the Group and on the Company for the financial year ended 31 December 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Group and of the Company for the financial year ending 31 December 2017.

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 2016 into realised and unrealised profits, pursuant to the directive, is as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained earnings of the Company and its subsidiary companies				
Realised	59,600,720	51,153,213	27,122	61,652
Unrealised	12,918,618	7,034,321	-	-
	72,519,338	58,187,534	27,122	61,652
Less: Consolidation adjustments	(8,245,343)	(8,245,343)	-	-
Total retained earnings as per statements of financial position	64,273,995	49,942,191	27,122	61,652

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

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 2016 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 83, 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 **HO SIEW WENG**

Puchong
22 March 2017

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 22th day of March 2017.

Before me,

COMMISSIONER FOR OATHS

ANALYSIS OF SHAREHOLDINGS AS AT 5 APRIL 2017

SHARE CAPITAL

Total Number of Issued Shares	:	168,857,300 Shares*
Issued Share Capital	:	RM16,885,730.00
Class of Shares	:	Ordinary Shares
Voting Rights	:	Every member of the Company, present in person or by proxy, shall have on a show of hands, one (1) vote or on a poll, one (1) vote for each share held
No. of Treasury Shares Held	:	1,935,700

**Excluding a total of 1,935,700 shares bought back by the Company and retained as Treasury Shares.*

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 100	7	0.70	126	0.00
100 to 1,000	116	11.63	78,714	0.05
1,001 to 10,000	512	51.35	2,855,200	1.69
10,001 to 100,000	268	26.88	8,678,900	5.14
100,001 to less than 5% of issued shares	93	9.33	84,851,401	50.25
5% and above of issued shares	1	0.10	72,392,959	42.87
Total	**997**	**100.00**	**168,857,300**	**100.00**

STATEMENT OF DIRECTORS' SHAREHOLDINGS

	< --------Direct-------- >		< -----Indirect------ >	
Name of Directors	No. of Shares	%	No. of Shares	%
Ho Siew Choong	8,232,903	4.88	72,594,959	*42.99
Periasamy A/L Sinakalai	7,714,765	4.57	72,997,459	^43.23
Ho Siew Cheong	4,284,965	2.54	72,392,959	#42.87
Ho Siew Weng	2,249,597	1.33	72,790,459	##43.11
Ravindran Markandu	225,000	0.13	3,000	###0.002
Alagasan A/L Varatharajoo	30,000	0.02	-	-
Razali Bin Jantan	-	-	-	-

Notes:-

* *Deemed interested by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016 ("the Act"), his spouse's and his children's direct shareholdings in Tex Cycle Technology (M) Berhad by virtue of Section 59 of the Act.*

^ *Deemed interested by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 8 of the Act, his spouse's and his child's direct shareholdings in Tex Cycle Technology (M) Berhad by virtue of Section 59 of the Act.*

\# *Deemed interested by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 8 of the Act.*

ANALYSIS OF SHAREHOLDINGS AS AT 5 APRIL 2017

Deemed interested by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 8 of the Act and his spouse's direct shareholdings in Tex Cycle Technology (M) Berhad by virtue of Section 59 of the Act.

Deemed interested by virtue of Section 59 of the Act via his spouse's direct shareholdings in Tex Cycle Technology (M) Berhad.

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

	< -------Direct-------- >		< -----Indirect------ >	
Name of Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Can Cycle Sdn. Bhd.	72,392,959	42.87	-	-
Ho Siew Choong	8,232,903	4.88	72,594,959	*42.99
Periasamy A/L Sinakalai	7,714,765	4.57	72,997,459	^43.23
Ho Siew Cheong	4,284,965	2.54	72,392,959	#42.87
Ho Siew Weng	2,249,597	1.33	72,790,459	##43.11

Notes:-

* *Deemed interested by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 8 of the Act, his spouse's and his children's direct shareholdings in Tex Cycle Technology (M) Berhad by virtue of Section 59 of the Act.*

^ *Deemed interested by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 8 of the Act, his spouse's and his child's direct shareholdings in Tex Cycle Technology (M) Berhad by virtue of Section 59 of the Act.*

Deemed interested by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 8 of the Act.

Deemed interested by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 8 of the Act and his spouse's direct shareholdings in Tex Cycle Technology (M) Berhad by virtue of Section 59 of the Act.

THIRTY (30) LARGEST SHAREHOLDERS AS AT 5 APRIL 2017

THIRTY (30) LARGEST SHAREHOLDERS AS AT 5 APRIL 2017

No.	Name of Shareholders	No. of Shares	%
1	Can Cycle Sdn Bhd	72,392,959	42.87
2	Ho Siew Choong	8,232,903	4.88
3	Periasamy A/L Sinakalai	7,714,765	4.57
4	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Equity Trust	4,056,000	2.40
5	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Smart Treasure Fund	4,020,000	2.38
6	Ho Siew Cheong	3,988,965	2.36
7	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB KidSave Trust	3,200,000	1.90
8	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Private Fund – Series 3	3,058,400	1.81
9	Ho Mah Lee @ Ho Chwee Keng	2,363,000	1.40
10	Yusseri Bin Said	2,350,130	1.39
11	Irene Rani A/P Augustine Francis	2,275,900	1.35
12	Teo Kwee Hock	2,275,200	1.35
13	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai	2,100,000	1.24
14	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank New York (Norges Bank 14)	2,084,200	1.23
15	Ho Siew Weng	1,867,597	1.11
16	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Smart Income Fund	1,845,000	1.09
17	Fong Yuet Siong	1,844,000	1.09
18	Ho Siew Kee	1,837,670	1.09
19	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Smart Balanced Fund	1,806,600	1.07
20	Lee Yuen Kong	1,477,800	0.88
21	Soong Ik Lin	1,419,900	0.84
22	Chuah Kooi Peng	1,382,800	0.82
23	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Pay Chuan	1,212,700	0.72
24	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Malaysia Dividend Fund	1,050,400	0.62
25	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chai Yee Wah	858,400	0.51
26	Soong Ik Lin	780,000	0.46
27	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Koh Kin Lip	740,000	0.44
28	Chong Yoke Yin	719,700	0.43
29	Cimsec Nominees (Asing) Sdn Bhd CIMB for Crescendo Assets Limited	670,000	0.40
30	Cheong Yoke Sim	622,800	0.37
	Total	**140,247,789**	**83.06**

LIST OF PROPERTIES

List of Properties
As at 31 December 2016

Location	Description/ Existing Use	Land Area (Square Metres)	Built-up Area (Square Metres)	Approximate Age of Building	Tenure	Net Book Value @ 31 December 2016 RM	Year of Acquisition	Last Date of Valuation
Tex Cycle Sdn Bhd 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	19 years	99 years leasehold up to 18 January 2093	1,945,714	1999	N/A
No. 7, Jalan TPK 2/4, Taman Perindustrian Kinrara, 47100 Puchong, Selangor (PT 24405, HSM 23159, Mukim and District of Petaling, Selangor)	Double storey fully enclosed factory / Recycling and storage facility	1,980.34	1,980.34	19 years	99 years leasehold up to 18 January 2093	2,320,397	2002	N/A
Metro Koats Technology Sdn Bhd 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	13 year	Freehold	1,389,360	2003	N/A

List of Properties (continued)
As at 31 December 2016

Location	Description/ Existing Use	Land Area (Square Metres)	Built-up Area (Square Metres)	Approximate Age of Building	Tenure	Net Book Value @ 31 December 2016 RM	Year of Acquisition	Last Date of Valuation
Metro Envy Lot 35604, Jalan Kuchai Lama, 58200 Kuala Lumpur (PN 1433, Lot 35604, Mukim and District of Kuala Lumpur, State of Wilayah Persekutuan)	Triple storey factory cum office building / Rented to third party^	4,822.7	3,668.65	21 years	99 years leasehold up to 25 May 2065	19,229,000	2005	31.12.2013
TC Chemical Sdn Bhd PT No. 8942 HS(M) 1528 Mukim Klang Negeri Selangor	Single storey detached factory / Recycling and storage facility	12,000	8,861.2	10 years	99 years leasehold up to 28 January 2068	6,048,813	2011	N/A
PT 8960 HS(M) 1380, Mukim Klang, Daerah Klang, Negeri Selangor	Single storey detached factory / Recycling and storage facility	19,906	8,199.16	2 year	99 years leasehold up to 26 February 2112	15,732,365	2012	N/A

^ *Rented for RM87,057 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

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of TEX CYCLE TECHNOLOGY (M) BERHAD (Company No.: 642619-P) will be held at Kota Permai Goft and Country Club, Room Danau 3, No.1, Jalan 31/100A, Kota Kemuning, Section 31, 40460 Shah Alam, Selangor Darul Ehsan on Friday, 26 May 2017 at 10.00 a.m. for the following purposes:

ORDINARY BUSINESS:

AGENDA

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the directors and Auditors thereon.	**Please refer to Note B on this agenda**
2.	To approve the payment of Directors' fees for the financial year ended 31 December 2016.	**Resolution 1**
3.	To approve the payment of Directors' fees for the financial year ending 31 December 2017.	**Resolution 2**
4.	To approve the payment of Directors' remuneration (excluding Directors fees) to the Executive Director for the financial year ending 31 December 2017.	**Resolution 3**
5.	To re-elect the following Directors who are retiring under Article 80 of the Company's Articles of Association:	
	a) Ho Siew Cheong	**Resolution 4**
	b) Razali Bin Jantan	**Resolution 5**
6.	To re-appoint Messrs. Deloitte PLT(formerly known as Deloittes) as the Company's Auditors for the financial year ending 31 December 2017 and to authorise the Board of Directors to fix their remuneration.	**Resolution 6**

SPECIAL BUSINESS:

7. To consider and, if thought fit, pass with or without modifications, the following Ordinary Resolutions:

(a) Ordinary Resolution 1 ***Resolution 7***

- **Authority to Directors to issue and allot shares in the Company pursuant to Section 76 of the Companies Act, 2016**

"**THAT**, subject to the Companies Act, 2016, the Articles of Association of the Company and the approval from the relevant authorities, where such approval is necessary, the Directors be and are hereby authorised, pursuant to Section 76 of the Companies Act, 2016, to issue and allot 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 10% of the issued share capital of the Company (excluding treasury shares) for the time being **AND THAT** the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the additional shares so issued."

NOTICE OF ANNUAL GENERAL MEETING

(b) **Ordinary Resolution 2** ***Resolution 8***

- **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."

(c) **Ordinary Resolution 3** ***Resolution 9***

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

"THAT Mr. Ravindran 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 10***

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

"THAT subject to the Companies Act, 2016, 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 of the Company stood at RM 27,122 for the financial year ended 31 December 2016.

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,

NOTICE OF ANNUAL 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."

ANY OTHER BUSINESS:

8. 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, 2016.

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

WONG YOUN KIM (MAICSA 7018778)
Company Secretary

Selangor Darul Ehsan
28 April 2017

Notes:

A. APPOINTMENT OF PROXY

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy(ies) to attend and vote on his(her) behalf.

2. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at a meeting of a Company shall have the same rights as the member to speak at the meeting.

3. A member may appoint more than one (1) proxy to attend the same meeting. Where a member appoints two (2) or more proxies, he(she) shall specify the proportion of his(her) shareholdings to be represented by each proxy.

4. Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.

5. The Form of Proxy shall be signed by the appointor or his(her) attorney duly authorised in writing or, if the member is a corporation, it must be executed under its common seal or by its duly authorised attorney or officers.

6. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.

B. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Audited Financial Statements under Agenda 1 are laid in accordance with Section 340(1)(a) of the Companies Act, 2016 for discussion only as the approval of shareholders is not required. Hence, this Agenda is not put forward for voting by the shareholders of the Company.

C. EXPLANATORY NOTES ON SPECIAL BUSINESS

- ***Resolution 7*** **– Authority for Directors to issue and allot shares in the Company pursuant to Section 76 of the Companies Act, 2016**

The proposed Resolution 7 under item 7(a) of the Agenda, if passed, from the date of the above Annual General Meeting, will empower the Directors of the Company, with the authority to allot and issue shares in the Company up to an amount not exceeding 10% of the issued capital of the Company (excluding treasury shares) for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.

The general mandate sought to grant authority to Directors to allot and issue shares is a renewal of the mandate that was approved by the shareholders at the Twelfth Annual General Meeting held on 11 May 2016. 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 fund raising exercises including but not limited to further placement of shares for 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 Twelfth Annual General Meeting because there was no need for any fund raising activity for the purpose of investment, acquisition or working capital.

Resolutions 8 and 9 – 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 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 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 Markandu as Independent Non-Executive Director.

NOTICE OF ANNUAL GENERAL MEETING

Resolution 10 – Proposed Renewal of Shareholders' Mandate for Share Buy-Back

Resolution 10 proposed under item 7(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. For further information on the Proposed Shareholders' Mandate for Share Buy-Back, please refer to the Statement in relation to Proposed Renewal of Authority to Purchase Its Own Shares by the Company as contained in pages 130 to 137 of the Company's 2016 Annual Report.

D. *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 22 May 2017. Only members whose names appear in the Record of Depositors as at 22 May 2017 will be entitled to attend, speak and vote at the Meeting.

SHARE BUY-BACK STATEMENT

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, 2016 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 in Tex Cycle (including 1,935,700 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. For the purpose of this definition, "interest in shares" shall have the meaning given in Section 8 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

SHARE BUY-BACK STATEMENT

"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 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 Share 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

SHARE BUY-BACK STATEMENT

1. INTRODUCTION

On 25 April 2017, 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 31 March 2017, the issued and paid-up share capital of the Company stood at RM17,079,300 comprising 170,793,000 ordinary shares in Tex Cycle. As at 31 March 2017, the Company has to-date bought back a total of 1,935,700 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 31 March 2017). 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 of the Company. As at 31 December 2016, the audited retained earnings account of the Company is RM27,122. 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:-

(i) 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.

(ii) 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 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:

	No. of Shares
Issued and Paid-Up Share Capital as at 31 March 2017	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	153,713,700

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 2016, the Company had declared an interim single-tier tax exempt dividend of 5% amounting to RM844,878 on 19 May 2016 and paid on 25 June 2016.

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 Shares 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 31 March 2017 assuming the Proposed Share Buy-Back Authority is carried out in full by Tex Cycle are as follows:

SHARE BUY-BACK STATEMENT

Directors' Shareholdings (to be updated)

	Before the Proposed Share Buy-Back				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
Directors	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	5.41	72,594,959	*47.74
Periasamy A/L Sinakalai	7,714,765	4.57	72,997,459	^43.20	7,714,765	5.07	72,997,459	^48.00
Ho Siew Cheong	4,284,965	2.54	72,392,959	#42.84	4,284,965	2.82	72,392,959	#47.61
Ho Siew Weng	2,249,597	1.33	72,790,459	##43.08	2,249,597	1.47	72,790,459	##47.87
Ravindran Markandu	200,000	0.12	3,000	###0.002	225,000	0.13	3,000	###0.002
Alagasan A/L Varatharajoo	30,000	0.01	-	-	30,000	0.01	-	-
Razali Bin Jantan	-	-	-	-	-	-	-	-

Notes:-

** Deemed interested by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 8(4) of the Companies Act, 2016, his spouse's and his children's direct shareholdings in Tex Cycle by virtue of Section 59(11)(c) of the Companies Act, 2016.*

^ Deemed interested by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 8(4) of the Companies Act, 2016, his spouse's and his child's direct shareholdings in Tex Cycle by virtue of Section 59(11)(c) of the Companies Act, 2016.

 # Deemed interested by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 8(4) of the Companies Act, 2016.

Deemed interested by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 8(4) of the Companies Act, 2016 and his spouse's direct shareholdings in Tex Cycle by virtue of Section 59(11)(c) of the Companies Act, 2016.

Deemed interested by virtue of Section 59(11)(c) of the Companies Act, 2016 via his spouse's direct shareholdings in Tex Cycle.

Substantial Shareholders' Shareholdings (to be updated)

	Before the Proposed Share Buy-Back				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Can Cycle Sdn. Bhd.	72,392,959	42.85	-	-	72,392,959	47.61	-	-
Ho Siew Choong	8,232,903	4.87	72,594,959	*42.96	8,232,903	5.41	72,594,959	*47.74
Periasamy A/L Sinakalai	7,714,765	4.57	72,997,459	^43.20	7,714,765	5.07	72,997,459	^48.00
Ho Siew Cheong	4,284,965	2.54	72,392,959	#42.84	4,284,965	2.82	72,392,959	#47.61
Ho Siew Weng	2,249,597	1.33	72,790,459	##43.08	2,249,597	1.47	72,790,459	##47.87

Notes:-

** Deemed interested by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 8(4) of the Companies Act, 2016, his spouse's and his children's direct shareholdings in Tex Cycle by virtue of Section 59(11)(c) of the Companies Act, 2016.*

^ Deemed interested by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 8(4) of the Companies Act, 2016, his spouse's and his child's direct shareholdings in Tex Cycle by virtue of Section 59(11)(c) of the Companies Act, 2016.

 # Deemed interested by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 8(4) of the Companies Act, 2016.

Deemed interested by virtue of his interests in Can Cycle Sdn. Bhd. pursuant to Section 8(4) of the Companies Act, 2016 and his spouse's direct shareholdings in Tex Cycle by virtue of Section 59(11)(c) of the Companies Act, 2016.

Deemed interested by virtue of Section 59(11)(c) of the Companies Act, 2016 via his spouse's direct shareholdings in Tex Cycle.

6. PUBLIC SHAREHOLDING SPREAD

As at 31 March 2017, the public shareholding spread of the Company based on the Issued and Paid-up Share Capital was 36.37%. 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 29.81%. 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%.

7. IMPLICATION RELATING TO THE CODE IN RELATION TO THE PROPOSED SHARES BUY-BACK

Based on the Register of Substantial Shareholders as at 31 March 2017, 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.

8. PURCHASES OF TEX CYCLE SHARES MADE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Information on the Tex Cycle Shares purchased during the financial year ended 31 December 2016 is set out on page 51 of the 2016 Annual Report of the Company.

9. 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.

10. DIRECTORS' STATEMENT

The Circular 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 Circular 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.

11. ACTION TO BE TAKEN BY SHAREHOLDERS

If a shareholder is unable to attend the Thirteenth 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 Thirteenth AGM of Tex Cycle which is enclosed in the 2016 Annual Report. The Thirteenth AGM of Tex Cycle, will be held at Room Danau 3, No.1, Jalan 31/100A, Kota Kemuning, Section 31, 40460 Shah Alam, Selangor Darul Ehsan on Thursday, 4 May 2017 at 10.00 a.m.

The page is purposely left blank.

PROXY FORM

Thirteenth 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 Thirteenth 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 Friday, 26 May 2017 at 10.00 a.m. and at any adjournment thereof.

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

	Resolutions		For	Against
ORDINARY BUSINESS				
1.	To approve the payment of Directors' fee for the financial year ended 31 December 2016.	*Resolution 1*		
2.	To approve the payment of Directors' fees for the financial year ending 31 December 2017.	*Resolution 2*		
3.	To approve the payment of Directors' remuneration (excluding Directors fees) to the Executive Director for the financial year ending 31 December 2017.	*Resolution 3*		
4.	To re-elect the following Directors who are retiring under Article 80 of the Company's Articles of Association:-			
	a) Ho Siew Cheong	*Resolution 4*		
	b) Razali Bin Jantan	*Resolution 5*		
5.	To re-appoint Messrs. Deloitte PLT (formerly known as Deloittes) as the Company's Auditors for the financial year ending 31 December 2017 and to authorise the Board of Directors to fix their remuneration.	*Resolution 6*		
SPECIAL BUSINESS				
6.	Ordinary Resolution 1 • Authority to Directors to allot and issue shares pursuant to Section 76 of the Companies Act, 2016	*Resolution 7*		
	Ordinary Resolution 2 • Retention of Razali Bin Jantan as Independent Non-Executive Director	*Resolution 8*		
	Ordinary Resolution 3 • Retention of Ravindran Markandu as Independent Non-Executive Director	*Resolution 9*		
	Ordinary Resolution 4 • Proposed Renewal of Shareholders' Mandate for Share Buy-Back	*Resolution 10*		

[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]

Dated this ....day of..........................2017

Number of ordinary shares held :

Signature/Common Seal of Sharel

[Delete if not applicable]*

Notes:-

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy(ies) to attend and vote on his(her) behalf.*
2. *A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at a meeting of a Company shall have the same rights as the member to speak at the meeting.*
3. *A member may appoint more than one (1) proxy to attend the same meeting. Where a member appoints two (2) or more proxies, he(she) shall specify the proportion of his(her) shareholdings to be represented by each proxy.*
4. *Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in the one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.*
5. *The Form of Proxy shall be signed by the appointor or his(her) attorney duly authorised in writing or, if the member is a corporation, it must be executed under its common seal or by its duly authorised attorney or officers.*
6. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.*
7. *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 28 April 2017. Only members whose names appear in the Record of Depositors as at 28 April 2017 will be entitled to attend, speak and vote at the Meeting.*

Please fold here

STAMP

The Company Secretary

TEX CYCLE TECHNOLOGY (M) BERHAD (642619-P)
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Malaysia

Please fold here

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